EPISODE 1043

[ASK FARNOOSH]

[00:00:32]

FT: Welcome to So Money, everybody. Friday, May 15th, 2020. How's everybody doing? We're settling in in New Jersey, my family and I. We are enjoying the grass. We're enjoying the neighborhood. Everyone is super friendly, waving hello. People actually talk to each other out here. Back in New York, I didn't know my neighbors. I know their names. I couldn't even identify them in a lineup but not in New Jersey. I am really enjoying using my kitchen. I have to say it was hard cooking in the apartment. Before we moved, I tried to cook as much as I could, save money. But, man, nice to have room, counter space, and use my stove as something other than a storage unit.

I'm excited to share that my YouTube channel is on a roll. It took a while. It was but a squeaky wheels in the beginning, but I'm on track to post one new video every single Tuesday. I'm holding myself accountable to this, and this Tuesday we had a video called Extreme Money Moves. A lot of financial rules that we've been living by are totally inapplicable right now, right? Pay down all your debt. Save for rainy day. Ask for a raise. Well, if you don't have a job and you can't pay down your debt, you're not asking for a raise, and now you're saving for an emergency in an emergency.

In this video, I offer some extreme money moves, things that some people are doing that are a bit out of the box. They're anti a lot of the advice that we typically give like tapping your retirement account and just paying the minimum on your credit cards. But honestly, right now, if that is what you have to do to keep head above water, I'm going to say it's okay. Who am I to tell you you need to just stick with the old plain vanilla advice? It doesn't apply anymore. I'll be the first to tell you. I don't regret having asked for a raise, right? But right now, we need some advice that's a little bit more or a lot more realistic.

Next week, I have a video on all of the things that I think are going to change as far as the way we give financial advice and the things that we're going to start valuing and not valuing post-pandemic when it comes to our finances. Firstly, I think we're going to start being more appreciative of the basics. The definition of a rich life is totally changing right now, right? There's not going to be as much FOMO on Instagram, because your friends are partying on a boat in the Mediterranean. Good for them but you're going to love the fact that you have a 12-month emergency account. That is going to be your thing to brag about, hopefully. A girl can dream. But, yeah, I feel like in some ways it has to change.

I've been asking financial experts on this podcast, each one of them, how do you think that we're going to change in terms of the tone post-pandemic, the advice that we give. A lot of them have been reluctant to say that things are going to change. We're still going to tell you to save for retirement. Yes, I think the broad strokes advice, live within your means, don't carry too much debt, obviously that's good advice. It's evergreen. But specifically, some things need to change, and I'm still figuring out what those things are. Let me know what you think they should be, but I'm working on that script right now and hoping to film that and deliver that next week, so stay tuned for that video.

This week, we had an incredible lineup of guests. We had Scott Galloway who's the host of Pivot on Vox Media on Monday. He's also an NYU professor, professor of brand marketing at the Stern School. He's on a number of corporate boards. Man, did he have some opinions. A lot of you wrote in saying that you really appreciated that episode. I just let Scott go on the podcast on that particular episode. He has so many interesting perspectives and theories about what's going to happen to things like college admissions, the cost of college, the fate of millennial wealth. Can millennials actually get ahead or just not feel like they're entirely behind the financial eight ball because now they have experienced two financial setbacks at pivotal times in their lives, once when they were graduating college, walked into a huge recession without any jobs.

Now, as they're in their 30s, trying to finally get ahead and pay off their loans and make more money, boom, another huge financial setback. A lot of them are unemployed again. It wasn't all doom and gloom, but he's not here to be a ray of sunshine as he told me on the podcast. He's not here to be a ray of hope but really to offer some realistic perspectives on what's going to happen even with business and commerce and frankly what he thinks the government should do in lieu of things like the Paycheck Protection Program. Very interesting stuff. That was Scott Galloway on Monday.

Then on Wednesday, my friend, Lydia Fenet, who works at Christie's as their lead auctioneer and head of brand partnership, she’s the author of the book *The Most Powerful Woman in the Room Is You*. Lydia is a force, and she and I talked a lot about confidence and power right now at a time when we feel like we have neither of those things, and how she and her career was able to ask for more and elevate herself, be her biggest advocate. It may not seem like super relevant advice right now. But trust me, it’s a good one, and you want to listen to it. So check out Lydia Fenet on Wednesday.

Let’s head over to the iTunes section to check out the latest reviews. Thank you to everybody who’s been leaving reviews. There have been many over the last week, and I want to say thank you today to Sarah. :D who says this podcast is essential listening for 20 some things. She says, “Farnoosh has been such a comfort during these insane times. I'm in my 20s and I've been working on becoming more financially literate, and she's helped me understand exactly what I need to be doing with my 401(k), investments, and savings. She gave me the confidence to really take a closer look at my spending, and now I'm more in control of my finances. Especially to my 20 something girls out there, it's time to take control.”

Yes, it is, Sarah, and great to hear from someone in the millennial cohort. You’re optimistic. You’re getting a handle on your finances, despite what all the news headlines say that your generation is doomed. You are not. I take issue with those headlines. Thank you for writing this generous review. Glad the show has been helpful to you. Let's have a 15-minute money session where we can talk about whatever you want pertaining to your finances, your job, life. Email me, farnoosh@somoneypodcast.com. Let me know you left the review. I will reply. Or you can find me on Instagram. Direct message me there. Let me know you’re the Sarah who left the very kind of you, and I will be in touch.

All right, let's head over to the mailbag. By the way, thank you for your patience last Friday. I don’t know if you saw me post on Instagram, but this episode was late last Friday. It didn't go up on iTunes until about 5:00 PM Eastern, despite all my efforts to get this up sooner than that. It was going to be late no matter what. I was under the weather. I was moving. It was a whole really like a wreck of a week. I woke up very early on Friday morning, 5:00 AM. I found a quiet space in my house to record the episode. My daughter came in about halfway thru. I got interrupted. I picked at things back up around 8:30 AM Eastern. Finally, I finished around 9:00, 9:30. I sent it off to editor. He had it done within an hour or two. Posted it thought online before noon. I thought, “All right, well.”

My batting average is – I’ve been getting it up at like 3:00 AM Eastern every single day, every single episode, so I'm nine hours late on a week that is unlike any other. I’m going to allow myself this and not feel bad about it. Well, around 5:30 PM, I just – I don’t know. Something told me to go check out my podcast on my phone app, and I was like, “Oh, it’s weird. It’s not in my podcast app.” Then I went to where I distribute the podcast online to my server and I was like, “Where is it?” It had not posted. It was still in draft mode. I guess I had closed my laptop before it was completely done getting posted, so all that work, and I was – I lost another five hours just because I was hastily trying to post it and didn't. It didn’t dot my i’s and cross my t’s. Oh, boy. I felt pretty bad. Not this week. I’ve learned my lesson.

Let's head over to the mailbag and see what's on your money mind. We have a question here from a friend who wants to know where is the best place to park your cash right now. Looking for high interest rate savings accounts, high-yield savings accounts, places that are offering deals. Look. Right now, saving money is so important. We know this. Where we park our cash is an important consideration. Interest rates are not historically high right now simply because we’re in a low interest rate environment. That means if you're a borrower, if you're going to borrow money for a home mortgage, car loan, things like that, you’re winning because you’re going to be able to borrow right now at a historically very low rate.

Our mortgage rate, a 30-year fix, 3%. That's in my lifetime – I mean, the last time I think we got to 3% was right around the recession, and it was a very small window. 3%, we’ll take it. Rates are low. That also means savings rates are low, but you can still find “better” deals out there. I would recommend two sources for comparing yields on all the different kind of banks out there from online exclusive banks to hybrid banks, bankrate.com, nerdwallet.com. You might be able to get a high-yield checking account for as much as 1.5, 1.6% right now. If you are putting your six-month rainy day reserve somewhere, that adds up. Over the year, that could be hundreds of dollars in interest savings.

I actually just got an email today from Bankrate because I subscribe to their savings rate alerts. This is for the week of May 13th, and here's their tip of the week. They say there's more to a savings account than the rate. Good point. When shopping for a savings account, the annual percentage yield may catch your attention first, but also important to consider things like fees. Read the details in the fine print. Is there a monthly maintenance fee? Is there a charge for letting your account fall below a certain balance requirement? If you're going to be going to the ATM a lot, make sure you know what the ATM fees are. If you choose an online bank, this is according to Bankrate, check its customer support. Does it have a live online chat and knowledgeable representatives to answer questions by phone if needed? Again, Bankrate is a great source for comparing rates at all the different banks' latest rates. Also, NerdWallet. I like NerdWallet a lot too. Thanks, Marie, for your question.

Sam has a question here from Instagram as well, and it's regarding whether or not to volunteer to lay yourself off. Here's the question. Sam says, "In this pandemic, I work as a project manager at an aviation-related manufacturing company. We are experiencing massive layoffs with airlines not having flights and money to buy products from us. My question is should I ask for a voluntary layoff? My husband has a stable federal job, and we have both invested in retirement and have about $175,000 in savings. We have a house which we rent. We currently live in an apartment closer to my work. We are currently living off of one salary. We had been planning to take a break this year and travel, and I was going to quit my job. My husband was going to take a sabbatical. But, again, the pandemic has really upended our plans. We have no kids. I thought I could take a little break and try to start something new. Do you think it would be a good financial decision?"

You might have been hearing me all along the last few weeks. People have been writing and asking about whether or not to start a new job right now, quit their job, start a new job, or quit their job, take some time off. Obviously, these people have financial cushions, right? You have, as you mentioned, $175,000 in savings. I'm going to take a guess and guess it's going to last you for well over a year, perhaps two years of your expenses. It sounds like you guys are pretty smart with your money and you're pretty conservative. Under normal circumstances, I would say sure. You're got savings. You can live off of one income. Of course, starting a business always carries risk but if you've got a lot of your financial ducks in a row and you've got runway.

I mean, we talk about that a lot on the show. A lot of times, what helps entrepreneurs in the beginning is having runway. It sounds like you do have that. Then under normal circumstances, I would say sure. It sounds like now might be your chance. Now is your chance to take a voluntary leave, whether that's a layoff or sabbatical, and do the thing that you've always wanted to do. Right now, it's hard for me to say that with as much confidence. I won't go so far as to say don't do it, but I think you really want to pause and think about the ramifications. I don't know what kind of business you're starting, and that's my first big question is if you're looking to start a strictly online business, well, I guess you don't really have any barriers right now. You don't have to go rent a physical space. You don't have to travel for this pursuit of starting your own business. Fine, if you can completely start this business from your kitchen with an Internet connection, then I think it's worth toying with.

The thing about voluntarily going to your employer and saying, "Hey, I want to get laid off," is you might not get a severance at that point. You may or may not. It's to be determined. If they say no, now you're a target. The next time they lay people off, it may not be a good time for you. You may be in that cohort. So there is a little bit of risk of disclosing that your employer. It's a crazy time to be telling someone to quit their job. 20 million people lost their jobs in April. That's the worst since the Great Depression. We basically erased all of the job growth since the last recession.

For me to say to someone, "Sure, go ahead. Quit your job," even if you feel you have the financial capacity to do so, it feels poorly timed. If your company came to you and said, "If anyone wants to volunteer for a layoff, we're going to offer you six months of pay," well, then in that case, maybe yeah and say, "Okay, with benefits." You're somebody who had a lot of financial runway and can afford to do this and start your own business, well, then I think that might be a great opportunity. But to go preemptively and offer yourself up for a layoff when there hasn't been any discussion of a severance or a package, I think it's a little risky. I'd like for you to leave this company with something to show for it.

I'm catching myself being pretty conservative here. I like to tell people to pursue their dreams, to pursue their entrepreneurial pursuits. I do think that at times like these, there are opportunities to start new things, innovate. It's like what happened during the last recession. Bottom line, if the kind of business that you want to start doesn't require a lot of startup costs, you can do this from your home and you can really get a running start with it right now without working, it sounds like, yeah, it might be a good time. But I really want you to cash flow out the next 12 months. How far will this money in savings get you? Remember also, your business might require some startup funds. Hopefully, not a lot, but there is that to also budget for.

I realized that was not a clear yes or a no, but it’s a hard question to answer, and I don’t want to be on the hook. If it doesn't go well after you quit your job voluntarily in a pandemic, I don’t want to be known for that but I respect the question. It's a good question. It's a hard question to answer. But hopefully, I gave you some things to think about, and let me know how it goes.

Lauren writes into the So Money podcast website with a question about what to do with the extra money now that they have after they've paid down their student loan debt. She says, “My husband and I will be done paying off $200,000 in business school loans in the next couple of months. This is going to free up at least $1,900 a month. I say at least because for many months, we paid over the minimum. We initially had plans to beef up our 401(k) contributions and our 529 contributions for our kids. But now, I'm feeling confused if that's a good move, given the state of the world. What are your thoughts?”

There are some additional background. She says that they're in their mid to late 30s. They live in San Francisco. They have household income of about $250,000 annually. Her job is pretty stable but her husband works as a startup, so that's a little influx during the crisis. He already had to take a 20% pay cut. They do not own their home. They live in a family home where they pay below-market rent to their in-laws. Not clear how long they can live here as it is a shared family asset. “But it's helped us,” she says, “Accelerate paying off our student loan debt.” They have children, two small kids under the age of four. The kids have college savings accounts set up no recurring contributions.

In theory, she says, “We would love to own a home one day, but it feels pretty close to impossible given the cost of homes out here. We’ve talked about putting savings aside, in the event a good buying opportunity comes along, but obviously saving for a house that’s a million plus is not a short-term goal to pursue. All this to say, should we –” This is the big question.

“Should we focus on building up cash savings that gives us options down the road or focus more on shoring up retirement/college savings even as the markets are tanking?”

I think you answered your question, Lauren. You said, “Should we focus on building up cash savings that gives us options down the road?” That sounds good to me. I think we all want to afford options right now, because so many of us feel like life is being decided for us. We wake up one day, we go to work downstairs in our underwear, and we realize we’re getting laid off, right? There is a lot of uncertainty right now with – Sorry to laugh. But if I don't laugh, I cry. But there's a lot of uncertainty right now with regards to job security and the markets and where this pandemic is headed. How long are we going to be sheltering in place? I think savings is the priority 100%. If you had already nine months’ worth of living expenses shored up somewhere and the income continue to come in and you wanted to now focus on saving up for a down payment on a home, great. As you said, that's not going to be a short-term goal met.

But I want to throw some other ideas out there for you, because here’s what I’m forecasting post-pandemic. I’m an example of this. I left New York City, a very high cost of living area. You live in San Francisco, similar. In some cases, more expensive to live in San Francisco than in New York. I left New York City for a number of reasons. Pre-pandemic, I wanted to leave because the cost of living was too much, I wanted better schools for my kids, and I wanted more room. I wanted more bang for my buck. I also wanted a Costco membership. To be totally honest, I wanted to shop at Costco and be able to put that stuff in my house and not use my stove as a storage unit.

In the pandemic, all those reasons still held. All those reasons I wanted to move were still applicable. But now, there was the sense of urgency to get out of a city that clearly did not have any reason why I should be living there anymore for the price I was paying, right? I was getting New York City cost of living without the New York City. As far as the pandemic was concerned, for as much as our hospitals are working around the clock, it’s not a great place to be when there's a pandemic, right? A densely populated place where you’re crammed in elevators and buildings. Then you’re living in your apartment with two small kids and you can’t leave. It was getting to a point where our mental health was at stake. So we left and so things accelerated for us.

I do think that post-pandemic, people are going to be [inaudible 00:20:46]. People are leaving big cities that are expensive especially, because they want a sanctuary from the craziness that is living in a place like New York City and also the expense, right? As you look and plan ahead, is San Francisco the right place for you too? If we're going to be working from home more and more, does it matter where you're living? If you want to become a homeowner, why put a square hole on a round peg? You make great incomes, $250,000 a year. That's three to four times more than the average household income in this country, so you're above average, and yet you cannot afford a home where you live. You cannot afford to buy a home where you live because you live in San Francisco, and prices there are just completely out of whack, so you might want to think about moving down the road.

We're very glad that we moved. Like I said, it was already in the cards for us pre-pandemic. But once the pandemic became a thing, we realized we wanted to move even sooner. We want our lives to change even sooner. Last to think about, but I do think that option A of saving your money right now is most important.

Lastly, Sarah is wondering if I have any personal finance courses for teens that I might recommend. She wants to incorporate this into her curriculum next year. Awesome. She says, "I want my students to have the money skill sets needed when they leave high school and either start working, go to college, or pursue careers in engineering, fingers crossed." She said, "Thank you. You've made a positive difference in my life, and I hope I can pass this along to my students."

Well, Sarah, thank you so much. Maybe I should start like a So Money for teens. I think I'm going to do that. I love when my audience tells me what to do. I don't have a course on this but I can guide you. I like to recommend my friend Susan Beacham's company Money Savvy Generation. You can go to M-S-G-E-N, msgen.com, and she has resources for all age levels starting as young as I think five even, even maybe younger than five. I mean, she starts with the Money Savvy piggy bank, which my kids have. As they get older and they can read, she has books and she has – Actually, she has curriculum in schools. She's in the Chicago area, and I know that the State of Illinois has really taken on her curriculum. Banks have also taken on her piggy banks, so that's a great resource, and she's been doing this for, oh, gosh, like 20 years. So she's really – She knows what she's doing.

I think what I wish I had when I was a teen in high school, when it came to things like managing money and not being intimidated by money. I always thought like the stock market was this very obscure thing and only like people who are really good at math could excel at it and make money off of it. Unfortunately, that's what I felt was true. It wasn't like someone ever told me that straight up, but I always – That's just what I thought because I watched movies like Wall Street. Anyhow, I think what would have been really helpful for me was to have a job in high school, which I did have a couple of jobs but not long enough to really do something substantial with that money to even know where that money went but to have a job and maybe even to practice being an entrepreneur in high school.

I had a friend, Ben, who was always coming up with ideas, and he was always running the fundraisers. Now, he's excellent with money and he's very good at making money and he's in your classroom as part of the curriculum, incorporating some sort of business activity where they work together on a business plan. They try to make money, whether that's running a bake sale or a car wash and then really understanding what it makes to make money. Then when they get paid, to actually go through the work of like how will you budget this. Let's say every child in the classroom has an imaginary budget of $2,000 a month.

Remember that Cosby Show episode where Theo was like, "Dad, I'm not going to go to college. I'm going to get like a regular job and I'm going to just be fine because I'm going to be able to cover all my expenses." His dad kind of went through the exercise with him with Monopoly money and was like, "Okay, let's say I gave you $2,000 a month. The government is going to take away 30% of that. Then you have your rent and then you have your food and you want to buy a nice jacket. Well, now you have two dollars left for the month."

I think that's like for me – I mean, I remember that episode. I think going through things like that real hands-on stuff could be memorable at the least, life-changing at the most. I encourage you to do that and not so much stick them in front of like an online course. They got to have hands-on material as well, and I think it's great that you want to open up this conversation with them at this age. It's so important.

That is a wrap, my friends. Thanks so much for your questions. As always, check me out on Instagram, doing a lot of behind-the-scenes there. I've got YouTube now. Subscribe to my YouTube channel where I'm doing one fresh video a week, and keep the questions coming. Thanks so much for tuning in again. I hope your weekend is So Money.

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