EPISODE 1079

[ASK FARNOOSH]

[00:00:36]

FT: Hey, everybody. Welcome to So Money. Friday, August 7th, 2020. I'm your host, Farnoosh Torabi. This is Ask Farnoosh. We have a special co-host today, Anjali Jariwala. You'll hear from her in just a moment. She's a new friend, someone I recently landed upon in my research for an article. I was doing a piece on how to think about your retirement portfolio in this crazy world that we live in. I wrote a piece for Bloomberg about how I did make some altercations to my retirement portfolio. Anjali was helpful to me for that and she gave me some insights. I'm really happy to have her on the show and to learn more from her.

Before we get to her, I wanted to share something with you, just out of my own journal here. I don't keep a journal, but I consider this podcast an extension of my thoughts and all that I'm going through. My morning was pretty hard. I'm not going to lie. I was waiting for our reading tutor to arrive this morning. I have a six-year-old son who is struggling to read. We connected with this excellent reading tutor in town. The plan was to come out and sit in the yard, masked, and try to help our son. Just assess him for the first time, get a feel for where he's at and maybe then start working together.

While it didn't work out, she wasn't unable to come. She had a family emergency. As it turns out, she probably won't be able to work with us at all, because uh she's got a lot on her plate. Totally get it. I thought, let me just sit down with Evan for a few minutes, for 10 minutes and just see what I – maybe we can start doing some lessons together.

I prepared a couple of lessons. He couldn't even do more than 90 seconds with me before he started to have a meltdown and cry and not really listen to the instructions. I was really failing. Not able to get through to him at all. I had him stand up. Do some jumping jacks. Let's do some sing-song activities. That seem to work for a little bit, but then that can easily get you off track.

Right now, I just don't know what to do. I have googled all sorts of things, like how to teach a child with ADHD to read. I ordered two workbooks this morning. I'm trying to see if I can come up with any other songs, or dance movements to try to teach him syllables and phonics. I'm also trying to secure a reading tutor for him, who's skilled in special education.

Evan has ADHD. This is a very special case. It's really hard to watch your child struggle with anything, especially learning. He pretends to not be interested. Really, I think it's the way that I'm trying to teach him is just not getting through to him. I think, also the fact that I'm his mom, he takes advantage of me.

It's been tough this morning. Not just this morning, but really the last year has been a sobering year. My husband and I were nerds in school. We devoured school. We didn't have learning challenges, so this is all new for us and we're trying to be patient, but it's hard. My son, I think sensed that I was upset. I was up in my room and he just came over and he's like, "Hey, mom. I'm ready to read now." He had a book and he sat on the bed and pretended to read the book. We hugged it out, but it was hard for both of us.

If this is any prediction of what the fall is going to be with online learning and parents really being at the forefront of educating their kids, God help us all. I know we have it really lucky, because obviously, there are families out there with kids with far more severe health problems. We very much recognize that, but it is what it is. I thought I would share it with you, because well, you're my family now.

This week, I was on Good Morning America. Did any of you check it out? I didn't. I was sitting at home and someone was like, "I saw you this morning on GMA." Now obviously, I knew that I had recorded a segment for them, but I was not aware of what time it was airing and I completely forgotten.

I want to tell you what it was about, because I think it's relevant for many people right now. Cost creep in the quarantine. Obviously, some expenses have gone away entirely; things like travel expenses and dining out expenses and even clothing expenses. I've only bought headbands in the quarantine, because I need to cover up my gray roots. Other costs are going up. We are all living under one roof 24/7. As a result, energy bills are going up, food costs are going up. How do you keep a lid on some of these expenses when you're really just trying to save money?

I gave some important information around that. I've experienced all of that. Our first energy bill in this house, now granted came from a small apartment, coming to a bigger house, there was some sticker shock that we were planning for, but not $700 worth of sticker shock. Well, it turns out, a month of changing your behavior will bring down your bills significantly. We had more people living with us in the month of May and June, my brother and his girlfriend. No longer, so that's helpful, because they were living on the third floor and had the AC pumping all-day long.

We haven't gotten the new bill yet, but I'm thinking that's at least a $100 to $200 saved right there. We're also using the program in the programmable thermostat and making sure that the AC doesn't kick on, unless the room reaches 80 degrees or higher. We're completely shutting off the AC in certain zones. Ten as far as food goes, I'm really loving challenging myself to try to save money on food. We're entirely just eating in now, for the most part. Maybe once a week, we go out for lunch or something on a weekend.

I am meal planning. I'm a whole new person now. I'm meal planning. I'm getting just the ingredients that I know we need for those meals. I get also the basics, like milk and cheese and bread, but I'm very selective about the brands. I mainly just go for the private label brand. I know that Whole Foods is giving away your whole paycheck, the saying goes. However, I've discovered a hack, which is if you stick to the Whole 365 brand, which is the Whole Foods private label, you can save more than 50% on a lot of items, whether that's spaghetti sauce, bread, milk.

We like to drink organic milk in our house. We drink a lot of milk. My son has lactose intolerance, so we get the lactose-free milk, which is also more expensive sometimes. It can be easily $6. If it's $5, you stock up. At Whole Foods the Whole 365 organic milk is around $3. That's good. I'm going to get that. What's the difference? Spaghetti sauce, $2, versus $7, $8 for the fancier stuff at the grocery store.

You can season it up with your own herbs and more vegetables at home. No need to get the eight $8 jar. That stuff adds up every single week. Those are the foods, those are the staples that we eat every single week. It makes sense to try to find savings on those recurring staples.

All right. I know you want to get to the mailbag really, really quick. First, let's just really quick go to the ratings and reviews on iTunes and pick our reviewer of the week, who will receive a free 15-minute money session with me. This week, shout out to Hot Coco Buns. Oh, man. So cool. Hot Coco Buns, august 1st, left review, "Love the show Black Wealth Matters. Kudos Farnoosh for taking a firm stand with the Black Wealth Matters Series and the follow-up e-mail showing your support. I love how genuine you are as a true financial ally of the historically downtrodden. You have democratized financial literacy and made it fun and accessible for all. I stand a strong kind and empathetic queen who knows that #SheSaidWhatSheSaid."

Love it. Full of really fun emojis too. This is a great review. I would love to connect with you. Thank you for holding me accountable to the Black Wealth Matters Series. I have been working on an album, so I can just have that out there for everybody to download. We're almost there, so I'm a little behind schedule. I know that iTunes has a special Black Lives Matters section, so I'm hoping to get featured there and give more people the opportunity to become aware of the interviews that we did in the month of June.

Hot Coco Buns, e-mail me, farnoosh@somoneypodcast.com. Or you can hit me up on Instagram in the direct message and let me know that you left the review. I'll send a link for you to schedule a free 15-minute money session with me.

All right, our special co-host today is Anjali Jariwala. She is a CPA and CFP, so she's skilled in both accounting and financial planning. She's the founder of Fit Advisors, a financial planning firm that services physicians and business owners virtually across the country. Before launching her own firm, Anjali spent over six years working with Fortune 500 clients at a top accounting firm, PricewaterhouseCoopers.

During her career, she would often share financial advice with family and friends, but started to realize that not only did most of them lack access to the best personal finance information, but also their busy family lives meant they just didn't have the time to pull it all together on their own. Fast forward, she becomes a financial planner and starts her own firm.

She also hosts The Money Checkup Podcast, a semi-monthly checkup that discusses the many facets of financial well-being. I'll be on the show later this fall. Anjali was named one of the investment news top 40 under 40 last year and named one of Financial Advisor Magazine's young advisors to watch for 2020.

Anjali, thank you so much for joining me this Friday. How are you?

[00:10:31]

AJ: I'm good. Thank you for having me. I'm excited to be here.

[00:10:34]

FT: We were first connected a few weeks ago. I was on the prowl to find some new voices that I at least hadn't connected with in the financial advice space, working on a opinion piece for Bloomberg, where I'm an opinion columnist. My very first piece was about how I timidly, I'm biting my nails saying this, moved money around in my portfolio for retirement, which I know goes against a lot of the standard advice of ride out the volatility. Do nothing.

I got to a place in my personal life where I was realizing, I wasn't as risk tolerant as I thought. Everything was happening in the world was prompting me to take at least a look under the hood. I ended up writing about it, just for full transparency to my audience to say hey, I did this, but I wanted to consult with some voices in the – some expert voices in the field, who could either say – just weigh in. I really appreciated what you had to say, insofar as this is a personal decision. This may not be what you would have done, or what you would have advised a client, but you understood where I was coming from. You have a lot of empathy for your clients, which is really – I think it's refreshing, because I think we too often, we stick to prescriptive advice, which doesn't always – it's not one size fits all.

[00:11:49]

AJ: Yeah. I've noticed that that type of advice the, latter advice, it's a lot harder for people to stick to the advice. When I'm working with clients, or talking through situations with them, I want to come from a place of empathy, so that the advice that I'm giving them is in-line with their goals and values. Because if I'm constantly giving them advice that impedes with that that they'll never follow through on their goals. The whole point of a client working with me is that they're held accountable and they're making progress on their financial goals.

For your specific situation, you really had thought through it in a lot of detail. It wasn't a decision, even though you made it at the – in this COVID time, which that's when a lot of people reassess their risk tolerance. You did it from a place that was very thoughtful and very diligent and you understood the trade-offs for going a little bit more conservative on your investment portfolio, that maybe you need to start putting a little bit more away for retirement, etc.

You thought through all the pieces, which is why I – when we talked, I said like, you've thought through everything. This makes you comfortable. It's not going to keep you up at night anymore, so this is a good decision for you, specifically in your situation.

[00:13:12]

FT: Tell me about your planning firm, Fit Advisors. You really nichified your focus. You work primarily with physicians and small business owners, entrepreneurs. A lot of times, people get into the financial planning space and they want to help everybody. It's important to nichify, right?

[00:13:29]

AJ: It is. For me, I ended up niching, because of what my prior career was. I started off in tax. I was at PricewaterhouseCoopers for over six years. When you're working at a big four public accounting firm, you get really, really good at one really, really specific thing. I got really good at one really specific thing, so when I transitioned to financial planning, it was really broad. It was really hard for me to make that transition, because I can't be good at everything.

In order to get really good at financial planning, the best way for me at least, was to niche, to serve a very, very specific clientele, where I can get really, really good at their needs. It may preclude me from working with other people and that's okay. That was a business decision I made. That way, I could really service my clients in a way that I could provide that expertise that they needed. Some people say I'm super niche, because I'm even more niched than the average person who niches, so I'm happy to chat about that as well.

[00:14:40]

FT: Yeah. How have you reconciled that? Because sometimes, one philosophy is more is more and scale is how you grow. How do you reckon that in your own business, so that you feel you are making an impact, you are doing the best you can to help people? Is it more work for you to try to find individuals to work with you, because you're so focused?

[00:15:04]

AJ: It is. My business has grown to be more word of mouth and referral, just because of – that's just what's worked really well for me. I would say, most of my new clients that have come through over the past two years has been referral-based. For me, the reason I decided to structure my practice the way I do is because I came at it from two thoughts.

The first was that I didn't want to work 80-hour work weeks anymore. I did a lot of 80-hour work weeks when I was at PWC and I'm like, "I cannot do this anymore, nor do I want to." It was fine when I was in my 20s. Once I hit my 30s, I was like, I need a little bit more work-life balance.

When I launched Fit Advisors, I found out I was pregnant about six months later. I knew that for me being a business owner, I was going to have – I was going to be pregnant. I was going to be the mom of a newborn and then a mom of a small child. I decided to structure my firm in a way that allowed me to have flexibility. I keep a very small practice. I'm at 38 client households and I am probably going to cap out at 40. That's where I decided that I was really going to niche and focus on a very specific group of people that I knew I could provide the most value and impact to.

Because my career, my first career was in tax, that's a space that's very comfortable for me. I have a master's in tax and a CPA. I decided to focus on physicians. My husband's a physician. We have a lot of friends and family, so that was already like a group that I'm very comfortable with. I focused on physicians who have complex tax needs, so 1099s, practice owners, partners and medical groups.

Then as I started working with my client base, I started to get small business owners as well. Small business owners who are in the medical field, and also in other industries as well. I realized that I also really enjoyed working with that small business owner. I don't work with startups. I work with those business owners who are probably about five years in. They're making one or more million in revenue on a regular basis. They're at that point where they're still operating as a startup, even though they have a full-fledged business. They need that help to transition from that startup to full business.

There's very few advisors like me, who are very comfortable on the personal financial planning side with that specific group, as well as being able to help on the business side, just because I have a corporate tax background. That's the niche that I formed. I only take on a few clients a year at this point. It and it works really well for me, because I can work. I usually end my day by 4, when my daughter wakes up from her nap and I get to spend the rest of the day with her.

It's a business that I've been very intentional in how I build. People tend to get caught up in grow, grow, grow, scale, scale, scale. For me, it was like, why do I want to do that? Why do I want to take away from what's important to me, which is spending time with my daughter and my family, especially we're only having one child while she's at this age, because I can work a ton at any point in my life. I don't want to do that right now, because what's important to me is having more of that free time.

[00:18:33]

FT: I would say that part of what is the draw to you is that you have the lived experience of being a business owner, married to a physician, you're a mom, you're a woman, you're a woman of color. I think that that representation increasingly, is what people seek, clients seek in those who give them the financial advice. We don't just want the cookie-cutter advice. We want someone who really understands where we're coming from.

[00:19:01]

AJ: Right, right. There's always this work that people are doing on what's your ideal client avatar. Imagine them, sketch them out. I've never really done that work, because my client avatar is me and my husband. I work with a lot of families, dual income households with young children, one or more business owners, etc. That's how people nowadays are picking their advisor. They want someone who's competent and understands their needs and have clients that are similar to them, but they also want to make sure that that person understands where they're coming from. Because a lot of the work we do around money is part of it is numbers focus, but there's also that emotional component to it, that money script.

If you have someone who understands that money script that you're going through, like I work with a lot of children of immigrants and immigrant families. It makes the process a lot better for both – for that individual in that household, because they know where I'm coming from. They know that the advice I'm giving them is addressing maybe the psychological component of money that may have been a hurdle for them to achieve their financial goals, and we're going to start unraveling that, so that they can get to where they want to be and that their money is really working for them in terms of getting them that maximum joy and happiness that they're looking for.

[00:20:23]

FT: Well, lucky for Mary. She's an audience member and has submitted a question. I think you're the perfect person to help her navigate this financial conundrum she's in. Mary is married with a toddler on the way. The couple makes a combined salary of $330,000 annually. They live in Manhattan. They have high monthly expenses, sounds about right living in Manhattan, between rent and daycare and car payments. It's a lot.

Still, they have an emergency fund of three months. They're saving for retirement. They're invested in the market through their own separate retirement accounts. They have been paying off their credit cards in full each month. Now, they want to pay up, or rather save up for a house. Here's the rub, they have federal student loan debt of about $90,000 at 6.8%, currently at zero, thanks to the CARES Act, which is deferring payment's interest-free till the end of September.

They're trying to pay off that student loan debt aggressively right now with this 0%. They're putting $1,700 a month towards it. She's wondering if that's even enough. As it pertains to the house that they want to buy and this debt that they have, she's wondering, what should I be prioritizing? She would like to maybe look at refinancing the debt to make it a little bit more "affordable, manageable," maybe put more money towards the house payment. They've already saved about 10% of what they would need towards a house. Then the other 10% would be coming from maybe a loan from family, she said, a small interest loan from family. If she walked into your practice with this question of debt versus a home, which isn't – it is another form of debt. What would you say?

[00:22:20]

AJ: Yeah. First, I'll tell Mary that she's doing a really great job. $330,000 seems like a lot of income. It actually doesn't go as far in Manhattan, which she probably knows. The first thing I would say is I would, and this advice is I don't know your full specific situation, so I'll just give the disclaimer. Just generally, I'm not recommending that clients refinance federal loans to private loans at this time, because of the CARES Act and possible future legislation that may pass that would continue this extended relief.

The provision in the CARES Act that's providing the zero percent interest is only for federal loans, so it does not apply to private loans. Once you refinance it to a private loan, you lose all of those federal benefits. Even though the interest rate is a little higher than what you may get on a refi, I would keep it as is until we see what's going to happen the next one to three years with COVID, possible change in administration, which may also change some of the legislation around student loans. I would hold tight on that.

The looking at the loan versus the home purchase, it comes down to what your timeline is on the home purchase. You guys are doing a really good job in terms of saving and checking off the boxes for all of your various buckets. The debt versus home is more of a preference. What I would say is that – hold on one sec. My daughter is yelling in the background.

[00:24:06]

FT: Oh, my God. Her voice is so cute.

[00:24:10]

AJ: She's super excited right now. Okay, I think she's going outside with the nanny. For the home versus student loan, one thing I would, if you were a client of mine, is I would see what price range you're looking at for the home, and then what your cash flow is going to look like post-home purchase.

If your home purchase all-in cost, so we're talking about principal interest tax and insurance is exceeding the $4,000 a month that you're currently paying in rent, then does that $1,700 a month student loan payment put you guys in a cash flow pinch? You need to make sure that you're running your cash flow post-home purchase to see how the numbers pan out.

If it is putting you in a pinch and you need to be in a certain price range to be able to buy in the area, then you may want to focus on paying down that debt quickly, because once you do, that frees up another $1,700 a month in cash flow. If that's not necessarily the case and you can still manage making that payment, or a little bit more, a little bit less depending on what you two decide, then it's just a function of what your preference is.

If you want to buy that home and you'd like to do that in the next six to 12 months, then there's nothing wrong with prioritizing that over paying down the student loan, because since you're checking off the box on all your other things, like retirement, etc., you have the luxury of being able to choose which one you two want to do that makes you feel comfortable and gets you to where you guys want to be short-term.

[00:25:44]

FT: Yeah. I didn't mention, they have another child on the way. They have one and one on the way.

[00:25:48]

AJ: Yeah. You want to factor in child care costs as well for that, if there's going to be nanny, daycare, or something else. That's a really good point is you really need to run cash flow version number two with all of those numbers in there. That's what I do with my clients, whenever there's a life change, so a new home, new child, etc., just to see how the numbers pan out. Because you don't want to be in a situation, where cash flow is so tight that you're now not able to put away for those other goals that you were doing before, like retirement, etc.

Or if college funding, 529 planning, if that's something you want to do. You really want to layer in all of those numbers. Then a lot of times when you do that, the answer becomes a lot more apparent as to what you should do next.

[00:26:33]

FT: I would put in that calculation, worst case scenarios, where one of you might lose your job for a period of time, or you experience both a drop in income. That is something that my husband and I did, prior to deciding whether or not to buy the house that we ultimately did at the price that we did. We mapped it out. We said, "Okay, if status quo continues, this won't be hard to manage, but if cash becomes – if our liquidity drops, if our income drops, what about then?"

Really important to go to that dark place, just so that you can face that reality, that potential reality and if you're still okay with it in terms of like, "Okay. We'll, figure it out. We can we can reduce expenses here, with this, that, the other thing." I think it's better to strategize those worst case scenarios now when you have rational and clear thinking, than when you're in the heat of that moment. It's much harder to feel you have options, or you have a solve for it.

I love the advice that you gave, Anjali, which is sometimes we obsess over the do's and don'ts. Don't take on more debt if you've got debt already. It's really what it comes down to, like to your point is your cash flow situation. With student loan debt, it's different than say, a credit card debt, in the sense that there's a light at the end of the tunnel. You know when the last payment's due. You know what every month's payment's going to be. You can work around that. It's a fixed cost. Build from there. Great advice. All right. Good luck, Mary.

Next question is from on Instagram. I don't know your name, but your handle is @LTTorres28. This person says, “Hey, there. I’ve learned so much from you. Always looking forward to the new episode. I’ve been maxing out my Roth IRA, but I might come close to exceeding the income limit this year. Do you know what happens if you end up making more than the allowed salary for a Roth IRA? Do I get fined? Will I have to convert it to some other type of account?” Yeah, what happens in that scenario? It's just a good problem to have.

[00:28:55]

AJ: Yeah, it is. If you exceed the limit, whatever the limit is for you based on the income phase out, the IRS imposes a 6% excise tax, which is essentially a penalty. That 6% applies on the excess and it applies every year until that excess is fixed. You definitely don't want to keep that excess in the account. If you did contribute more than you should have, you'll want to remove the excess contribution, plus any earnings to the extent it was invested, because both of those would be subject to the 6% tax.

You can also apply that excess to the following year, so it doesn't avoid the 6% penalty in the current year, but it would stop after the current year, so you wouldn't keep recurring that penalty. There's two options, either pull it out. You can contact the custodian that you're using to see what the process is to pull that piece back out, or just take the 6% hit in the current year and then going for – and then apply the excess to the following year. Then making sure that going forward, you're not doing the excess.

If you are hitting that income phase out limitation, then you may want to start exploring backdoor Roth contributions, which works well, as long as you don't have any other IRA type of account. That's what people who are above those income limitations start to do to be able to still put away that Roth IRA money, which is nice money to have in retirement, because it grows tax-free, it also comes out tax-free in retirement and it's not subject to required minimum distributions.

[00:30:37]

FT: In this case, if you are somebody who may be on the path to making more this year or soon and you've been used to dumping money into your Roth IRA earlier in the year, or every month until you reach that limit, does it make sense to just wait it out and see where the year ends up for you and then do a lump sum contribution? I guess, is there any risk to waiting and doing a lump sum at the end of the year when you know more about your income status?

[00:31:09]

AJ: Yeah. That's actually what I usually recommend for my clients, or at that approaching the limit for phase out, is to just, let's just wait it out. The trade-off is that you miss out on the "growth for the year," but that – I think it's better to just contribute the right amount and not have to worry about this hassle of potentially paying the 6% penalty. That's a great approach for people who aren't sure. You just wait it out till the end of the year. You have until April 15th of the following year to make the contribution, so you can even wait until you get all your tax documentation, run the numbers through the tax return and then see. Then based on what your return looks like, then make your contribution at that point.

[00:31:52]

FT: Cool. Okay. Very simple question from Debbie. How to recover after a bankruptcy? Any first steps? In the last recession, Anjali, I was reading 700,000 Americans applied for bankruptcy, 2007 alone, which was right around the recession. I anticipate that is going to be also a recurrence this time. People would probably want to know the answer to this, how to recover from this. Maybe while we're answering this question, when do you know it's time to file for bankruptcy? When is it smart to do that?

I'll just start by saying to Debbie, that recovering after a bankruptcy, it is true that a bankruptcy remains on your credit report for a period of about seven years, but it doesn't mean that you can't get back on your feet sooner than that. It doesn't mean that you can't start rebuilding credit sooner. It doesn't mean that you can't get a job and all of those things and start earning more. I would firstly look at your credit report, just to make sure that everything is lined up, that nothing is sticking out as suspicious, or reported falsely, or reported inaccurately. Because your credit report will be really important going forward more than ever.

As far as reestablishing credit, if you are interested in reapplying at some point for a loan, for any loan or credit card, you're going to need to obviously start from scratch. You're not going to just be able to walk into a bank and get a mortgage at this point, at least not in the beginning of the first few years of the bankruptcy proceedings. Things like a secured credit card. We've talked about them sometimes on the show as a way, a vehicle for people who want to rebuild credit, or establish credit for the first time, because they might be new to the country, can do that.

You can go to a local credit union and open up a secured card, which is basically a credit card on training wheels. You lay down somewhere between $400 or $500 onto the card as your line of credit. The line of credit is essentially your money that you've lent to yourself on this card. Then you go and you spend on this card like you would any credit card and you pay back the balance like you would any credit card. That behavior, those payments, those on-time payments that you're essentially making to yourself, do get reported on a credit report and do help to rebuild your credit.

Then from there, usually within a year, 18 months of good behavior, you can graduate to a more day-to-day credit card, which as we know, credit card activity is a primary way of reestablishing and establishing credit. You don't have to wait the whole seven years. You can apply for this secured card pretty much within the first year. Anjali, any additional advice? Also, when do you know that it's time to just call it quits and get the bankruptcy proceedings going?

[00:34:48]

AJ: Yeah. No, that's great advice. The secured credit card is actually what I was going to suggest, as well as signing up for one of those free credit monitoring systems. I like Credit Karma. It's what I have. It's what I recommend to clients, because they'll give you an overview of your credit, where your score may be dropping, areas that you can improve it. Just for someone who's recovering after bankruptcy, you'll just want to be a little bit more diligent about checking your credit score and your credit report more frequently, just to make sure that you're making progress.

Bankruptcy, so in the United States we have pretty favorable bankruptcy laws. What I would say though is that I would really view it as a last resort. It does preclude you from really taking out any other debt for seven years. Seven years can be a really long time, especially if you're at a certain age, or stage in your life where you're looking to get a car, get a home, maybe start a business, you need some business debt. Whatever the case may be, it's going to preclude you from being able to do that. It really should be there is no other possible option to get you out of the situation you're in, to then explore looking into bankruptcy proceedings to see if that makes sense for you.

[00:36:13]

FT: Thanks for your question. I think this might be on a lot of people's minds these days. Okay, our last question is from Alex, who wrote a lot. I appreciate that, Alex. I know she was like, “I know this is a lot of typing and I didn't want to overwhelm you,” but it seems like the more information I have, the better advice I can give, which is true.

Alex is 27. She recently purchased her second home. The first was in the Bay Area and now this one is in Chicago, or the first one was in Chicago and Bay Area. I don't know the timeline, but she's got two homes. She's doing pretty well, Alex. She makes six figures, a $120,000 a year. She has essentially house hacked, because the home that she purchased in Chicago she's renting out for a profit. Then in the Bay Area, she was able to triple her paycheck.

Financially, she's doing very, very well. She says, “Essentially, my only living costs at this point are food and trips.” She does all the right things. She invests in her retirement account. She's got a Roth IRA. She has another brokerage account that she invests through a brokerage and she's got all the dental insurance and even food is paid for by her company and a commuter subsidy. Tell us where you work Alex.

[00:37:32]

AJ: I know. I was wondering that too.

[00:37:32]

FT: I need to work to a company. Oh, my gosh. All this said, she's asking, what would you do if you were me? How would you allocate my additional income? She also has got a side gig. She has another business where she brings in about 4 grand a month. Huge. She's rocking and rolling. She says, "I spend pretty frugally. I am living on nothing in Arkansas right now." I guess, that's where COVID has led her.

Some things that she has considered and there's a – the list is long. Invest in my current property and fix, it's number one. Number two, pay off my mortgage on both the home, so that I can eliminate the debt and maybe pay it off sooner than later. Number three, max out my 401k. Number four, stay liquid for potential future goals, like kids, marriage, trips, or should I save up for more property purchases to get more passive income, or invest in my business, which I'm not really sure how much it would cost to do that, whether I want to publish a book. Or lastly, should I donate?

I mean, all good problems to have. It sounds like she needs to just sit down and soul search a little bit. Actually, think about what fulfillment means to her over the next five to 10 years. She's got a lot of choices. Her financial decisions have afforded her a lot of options at this point. Sometimes, we can have analysis paralysis. Help us through her paralysis a bit and what she should be really focusing on, Anjali.

[00:39:05]

AJ: Yeah. This is a good problem to have. You're in that position where you can really do whatever you want at this point, because you're pretty much covering all of your other buckets and more. You're going to get financial independence pretty quickly with the rate you're going at. I would do soul searching. I have something for you, an exercise for you to do, Alex.

I'm going to read you a question. Think about this question and write down your answers. Don't just think about it, actually write them out. There's something that happens when we physically write things out. Our brain actually processes it a lot better. Here's the question. There's a few more as well, but I'm just going to read the first one, because I think that will get your brain going on what you may want to do. This is from George Kinder. He's the father of life planning and life planning is –

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FT: He's been on this podcast.

[00:40:00]

AJ: Oh, he has. Okay, so you know.

[00:40:03]

FT: Look up the George Kinder episode too.

[00:40:05]

AJ: Okay. Then Alex, I would go back and listen to the George Kinder episode. I'm going to read George Kinder's the first question in his three-question exercise. This is a process that I do with all of my new clients. We actually do this exercise in meeting number two. it's really to understand goals and values and what's important, because I think what's happening here with you, Alex, is that you're trying to seek the advice from the outside, but you really need to seek the advice from the inside, because what you need to do is really dependent on what is important to you and your goals and values, not what someone is telling you to do, or not what someone else would do in the same situation.

The question that I think would be good for you to answer is that imagine you are financially secure, that you have enough money to take care of your needs now and in the future, how would you live your life? Let yourself go. Don't hold back on your dreams. Describe a life that is complete and richly yours.

When you're doing the exercise, write everything down. Then go back and see what's coming out of it. I have a feeling when you write that down and you're going back and reviewing your answers, it'll be a lot more clearer as to what you want to do with the excess cash flow that you're building. These seven different things that you could do, you probably can narrow it down to the one or two and really just focus on that.

[00:41:32]

FT: If you want to check out the George Kinder episode, it's episode 955. George Kinder, he is the Founder of the Kinder Institute of Life Planning. He has many apostles, like it sounds you, where you have adopted his philosophy and his training. He's Harvard educated. He was a CPA, or an economist turned CPA. Like minds here, Anjali and George.

It really is now such an opportunity for you, Alex, to think about what is important to you and to start planting those seeds. I don't think that there's any mistake you can make here, if you really are doing what you want. We also understand that you could change your mind. What you want today could change in five years. The beauty of that is that when you arrive there even with this changed mind, you will have the savings there for you to do whatever pivot you want at that point.

If you're having a blast with the real estate stuff, maybe you double down there. I always say, if I had more disposable income and more time perhaps to do some research, I love real estate. I think I would really enjoy the whole process of trying to find an investment property and renting that out and making some passive – not really passive, but making that cash flow positive. I think that for me, would spark joy. What would spark joy in you, Alex? Figure that out. Let us know. Keep us posted. I love that you trusted us with your question, Alex, and also Debbie and El Torres and listener Mary. Thank you so much. Anjali, thank you for taking time out of your schedule as a busy mom and owner and we really appreciate your advice.

[00:43:22]

AJ: Yes. Thanks for having me.

[00:43:23]

FT: For more, to reach Anjali, check out fitadvisors.com. Where else can we find you? Anywhere else you recommend?

[00:43:30]

AJ: Yeah. I'm on Instagram, @AnjaliFit. I'm also on Facebook and LinkedIn. I also have my own podcast. It's called Money Checkup. You can find it on your preferred streaming service and my podcast is all about money topics that I see in my practice with my clients.

[00:43:49]

FT: Everybody, thanks for tuning in and I hope your weekend is so money.

[END]