EPISODE 1124

[INTRODUCTION]

[00:00:32]

FT: Welcome to So Money, everybody. It is November 20th, 2020. Thanksgiving is next week. How are you all celebrating? My parents flew in from California earlier this month. They quarantined for a bunch of days, a week almost, and took their COVID tests, thankfully COVID-free, and now we are all under one roof and feeling safe and very grateful, very thankful. I think had they planned to arrive here later in the month, closer to Thanksgiving, would have been a different picture, would have been a different scenario. Maybe they wouldn't have even been able to come. I know that with the numbers on the rise, people are trying to play it much safer.

I was just listening to NPR, people in the New York metro area celebrating Thanksgiving alone or on Zoom, buying maybe just a turkey breast, not a full turkey. It’s sad. But also at the same time, it is commendable. Doing this will hopefully mean that we will have a better 2021. Of course, lots of good news this week with regards to vaccines coming into the market, lots of positive trial runs with the vaccines, so lots to be hopeful and thankful for and crossing our fingers. But still, we got to do the good jobs of wearing our masks, social distancing, washing our hands.

We just bought a freezer because I want to limit my trips to the grocery store. I am having a lot of stuff delivered now. I don't really shop outside anymore. I do a lot of just ordering in and I kind of feel like it's March again. I feel like it's April again. I’m taking on that same approach where really just seeing nobody and staying indoors as much as possible. It helps because it's about 10 degrees, so not really enticing to go outside.

I just sent out my newsletter yesterday. Are you subscribed to my newsletter? I don't bombard people with the newsletter. I just do maybe once or twice a month, an email that kind of captures what's going on, my latest financial thoughts. This week, the newsletter started off talking about a recent study that came out. I actually wrote a piece about it for Bloomberg about how many millennial women, all women but really millennial women, many of them are deferring big financial decisions, things like retirement, insurance, the will, to their spouses. The survey is from UBS, and they surveyed over 1,800 men and women. Some same-sex couples but mostly heterosexual couples, and they found that almost half of millennial women which we often characterize as ambitious, well-educated, progressive, feminist are deferring their financial decisions to their husbands. They're burying their heads in the sand. They probably don't even know the username password to their joint brokerage account.

This is dangerous, and I was really upset that this study came out because it feels like every day there's a study that points to the fact that women are terrible with money. But if this is to be believed, which I believe, I hear anecdotally lots of cases like this, I've had people on this show that say, “I’m good at making money. I’m terrible at managing it, so I just let my husband make all the money decisions.” It’s like why. What are you doing to yourself? This is only going to hurt you in the long run because women are living longer. Our costs in retirement are higher. If you're talking about healthcare costs, we need more money than men on average. We need to know and be involved in these financial decisions. It’s maybe not fun. It’s not exciting, but we both need to be on the same page.

I understand one partner can take more of a leading role in managing and organizing and reviewing. But if you are the partner in the relationship who is more in the back seat, you need to at least check in once in a while because if your partner gets in a situation where he or she can't for whatever reason, for health reasons, manage the money or manage these decisions, you need to at least be able to step in, right? So having a shared document that's password-protected that has all of your username passwords for all of your shared accounts, having the apps downloaded for all of your shared accounts. So you can have a running look at an ongoing look at what's in these accounts, and so you have an understanding of these running balances and you know where everything is and you know the phone number for your estate attorney. I

Most of it is just getting organized and having this stuff taken care of, set aside so that if you have to jump in, you can. But knowledge is power. Knowledge is power, and we're so much into self-care these days. Yet we forget that managing our money and being mindful about our money is self-care. It’s the ultimate self-care. So I wrote about that. That was a big theme in the newsletter yesterday. I also shared some of my whereabouts and I've been working really hard in Q4, let me tell you.

Summertime was a little lax, which was good. I got a chance to move in, get settled. September came around, and it was off to the races. Now, with just, I don't know, six weeks left to the end of the year, I feel like everything is coming due; article assignments, videos, brand deliverables, podcasts. But I'm getting it done y'all, and I’ve learned about this new app that helps you with your productivity. This is brilliant. My friend, Jaclyn, who is my co-pilot in my podcast mastermind that I run, Jaclyn Mellone, she is a fan of this app which helps her stay on track with tasks. It’s called Focusmate. Have any of you heard of this? I just discovered it. Distraction-free productivity. Focusmate virtual co-working helps you get things done. You get three sessions per week for free. You tell them when you want to be productive for maybe an hour or 30 minutes because you got to get an assignment done or what have you, and they pair you up with somebody else who is available during that time. You can work with somebody in your industry or not, and you keep each other accountable in that time frame. Isn't that amazing?

I’m a little nervous about using it because I just don't – I’m a little apprehensive about who's going to be on the other side of this session. But that's my own thing. I think it could be – My friend, Jaclyn, swears by it, and she suggests checking it out. It's really helped her get stuff done and stay focused and task-driven.

Okay, before we get to our mailbag, let's go to the So Money podcast reviews on iTunes. Every week, I pick a free – Every week, I pick a reviewer who will then receive a free 15-minute money session with me. Whether it's a good review or an okay review or not a good review, you might get picked and you might get the opportunity to talk with me. Maybe you don't want to do that, but I’m going to just offer it anyway. But this time, we're going to say thanks to ilove2eatveggies who left a review earlier in the week saying that it's her four-year So Money listening anniversary. “I started listening to So Money exactly four years ago. It was about a week after the election. I was terrified, angry, and completely shocked. I'd spent the past few days cancelling all of my media subscriptions and swearing off the news. On that day, I had somehow turned a corner and vowed that I would find a way to make something positive out of the next four years. I was so lucky to have stumbled on So Money. Farnoosh was the calm in my storm for the next four years. And with her positive yet real world approach and her actionable advice, she not only got me through but helped me to double my net worth. Forever grateful.” Barbara in New York.

Barbara, I know you, friend, and I know that you are an all-star, such a champion for women entrepreneurs. I'm so proud to have you in the audience. Thank you for this generous review. We've come a long way, haven't we? Not just the show but the country. To be where we were four years ago compared to today, I feel you. So I would love to reconnect and see how I can double your net worth again. How I can help you do that so that you can look back and say, “IN 2020, I quadrupled my net worth.” So here we go. Give me a shout. Connect with me via email or Instagram @farnooshtorabi. The email is farnoosh@somoneypodcast.com, and let's reconnect, my friend, Barbara. Thanks for tuning in.

Okay, let's go to Instagram, to my direct messages, and see what is on your money mind. We're also going to check my inbox because we have a number of you sending in questions via the Ask Farnoosh button on the So Money podcast website. You can go there and click on Ask Farnoosh and either type or leave a voicemail. Amanda writes in. She says, “Hey, Farnoosh. I’m a longtime fan, and pre-COVID I worked in a large luxury fitness club as an instructor and private trainer. I did pretty well but was working crazy hours. Since the gyms are closed, I’ve taken this time to build my personal brand by establishing my own business using social media completely. I have a full client schedule and I ultimately am making more money now than ever before. How do I talk to “older clients” who are paying me much less an hour than my newer clients about paying me more? I increased my rate after some market research. I have very good relationships with my clients who consider me a part of their family, even their mental health coach. But I still feel strange about it. Please help.”

Okay, Amanda. To use your own words, you say you have good relationships with these people. So why not be honest with them? Why not, like you just stated, talk about your journey? How hard you have been working in this pandemic. You profession could have easily been upended, right? Unless you thought out of the box, unless you worked fast nimbly hard to get yourself going on social media, you would not still be able to service your older clients, let alone these newer clients. So I think you go to them with an honest story. I think you go with them with your honesty and you say, “I am so grateful that you have been with me all these years. Even though this year has been a really weird and tumultuous time, you've stuck with me. I’m so excited for the new form that my business has taken. In this new chapter of my business, focusing exclusively on the online training, I need to raise my prices. I have raised my prices. I've done some market research.”

Maybe let's say you don't charge them what you're charging these new clients. Maybe you charge them 10 or 15% more. I think there's something to be said for loyalty. As somebody who, for example, is a client to other service providers, I get grandfathered in sometimes to the older rates or I get my rate raised at a smaller amount because there's something to be said for loyalty, longevity. I’m that person who's going to recommend a lot of new clients to these service providers who have been with me for 10 years, who I've been with for 10 years. So maybe if it feels better for you, maybe there's a happy medium where you're telling them, “Look, I’m not going to raise my rates up to what I'm currently charging new clients for you because I appreciate the loyalty. I appreciate the referrals. But I would like to suggest raising rates by 15% or 20% or starting in six months. Give them a heads up that this is going to happen. So you're giving them these conveniences and these exceptions because the fact that they've been such loyal customers to you.

There's something to be said about that. I think it's good business to respect and value those customers and with the idea that they're going to pay it back in other ways. Maybe not monetarily but through referrals, and you like these people, right? These are people who've been with you since the beginning. There's something to be said about that too, surrounding yourself with these customers that knew you back, knew you when, right? So, Amanda, that's my advice is maybe there's a happy medium. Creating some exceptions for this clientele that's been with you for so long, whether it's raising the rate just a little bit more and not fully and maybe giving them a heads up that, “Starting in June of 2021, we're going to raise our rates across the board, and I really value you as a customer. You've been with me for so long. I’m only giving this sort of grace period for my existing customers because I want to do a favor.”

Christina has a question. She says, “I've managed to get my 14-year-old son excited about finances, and he wants to start investing now because he sees the value of starting early.” Wow, Christina. I am really impressed, and your 14-year-old son will hopefully be thanking you if not now, one day. She says, “He makes about $30 a month for jobs around the house and he wants to start investing approximately 20%. I love the Robin Hood platform, but they don't offer options for under 18 investing. What would you suggest for him to get started?”

Christina, you could set up a custodial account for your son, which is a financial account, a brokerage account in this case, that you could then make trades for him or invest on his behalf. It’s set up for the benefit of a beneficiary, in this case your son. It's administered by a responsible person, you, usually the parent or the legal guardian, and you do have a fiduciary obligation to your son. So when he says, “Mom, buy me x, y, z index fund, you do that.” Or obviously you have a conversation about it. Maybe you don't. But the point is that you're really the custodian of this account, right? I just actually learned about a really cool offering from Charles Schwab called Stock Slices from Charles Schwab where investors are buying slices of stocks and a lot of times gifting these slices of stocks to minors. But again, it has to be done via a custodial account, and they're marketing this as a way for young people to get engaged with investing and in a way where they may not have otherwise been able to because stock prices are sometimes out of reach, whether like if you're trying to buy Amazon. Good luck but maybe you can buy a slice of it and still feel invested.

Popular for gift giving, you could suggest to relatives this Christmas, this Hanukkah, this holiday season to do that for your son as a way to get him more into investing. But again, it has to be done through a custodial account which you can open up at Charles Schwab. You can open up pretty much anywhere but you can learn more about these stock slices at schwab.com/stockslices. Just full disclosure, I used to do some partnership work with Charles Schwab.

This announcement came through just in time to answer your question. My friend, Heba, who does some PR with Charles Schwab sent this to me as an FYI as something to suggest if it made sense. In this case, I think it does make sense for you and your son. I just finished a piece for NextAdvisor on financial advice for parents to give to their kids throughout the ages. I wish I had – If I could write it again, I think I would have included something about investing but I didn't. But it wasn't really so much about the tactical stuff. It was more about just how to raise kids that aren't brats. I don't think the article's out yet, so keep refreshing NextAdvisor to find that article, and I'll just put it in the newsletter when it's ready.

My friend, Natasha, has a question about how to get a mentor as she's building a business and a brand. She wants to get a mentor. She wants to do more media. She wants to tap the wisdom from older professionals in her industry that she may not know but would benefit from gaining their wisdom. So how do you cold call people or cold email people? Natasha, you could definitely do a cold outreach via email. It is hard though right because we're so distracted these days. We get so much spam. It's really hard for an email to stand out, but I'll take a page out of something Tim Ferriss shared. I think it was on my podcast or in one of his books about how to email someone you don't know that you want a response from successfully. His advice is to keep it really short. I think he says exactly like seven sentences short. So Google Tim Ferriss email writing. He's got a lot of experience doing this in his own career and, of course, I'm sure he's on the receiving end of a lot of emails and he gives his best practices.

But in terms of finding a mentor, you want to also look into professional organizations. Organizations like – Tiffany Dufu has an organization called The Cru, C-R-U. These women-led organizations that are for entrepreneurs where you can tap not only into a community of like-minded, ambitious, business-driven women but a community that has resources of its own. So women who can then tell you, "You should talk to my friend so and so." So getting to so and so is no longer a cold email but it's a introduction from someone in your cru, C-R-U, thecru.com. Check it out.

There are many organizations like this and in your particular industry which I don't think you told me what it is, and you can do this yourself if you know three or four people in your industry to do a monthly mastermind meet up. I did this for many years. I have several female friends who wanted to get together once a month, not several. Like three or four of us. We were all in various industries, but there were many synergies and there was a lot of overlap in what we wanted to learn from each other. We didn't just learn from each other. We shared resources. We shared relationships. So it's this commitment that you meet every month around a shared goal. Everyone goes around in the beginning of the hour and talks about what they're working on, what they need help with, and we help each other.

This is something that you can proactively create. It just requires you to reach out to some people in your network and maybe not those people, but they may know people. Ultimately, it's four or five of you every month hopping on a Zoom. Once COVID’s done, getting together possibly if you're all in the same geographic area and talking about pain points, brainstorming for each other, connecting the dots for each other. So that's my other idea.

As far as media, you want to do more media. There are two programs that I would recommend. There's Impacting Millions from Selena Soo. That's S-E-L-E-N-A S-O-O. She's been on my podcast. She's a dear friend. I’ve been a client. I’m very happy with Selena's work, helping you to get more “out there” and as her program describes, impacting millions. It’s for a lot of early-stage entrepreneurs or even later-stage entrepreneurs who want to now get more in front of the business and do more media, whether that's television, writing, radio, podcasts.

Then there's my very dear friend, Susie Moore, who has a program called Five Minutes to Famous, and she teaches you what she knows about media. She and I actually teach a workshop every year, every few months. We used to do a workshop in person called Pitch Please. We’d have people come in from all over the country, sometimes abroad, and we would talk to them about how to get in front of the media, and we would bring media to the event. We'll hopefully resume that I want to say 2021 but it's looking more like 2022. Those two people, hit them up. Check them out on Instagram, Facebook. Selena Soo and Susie Moore, S-U-S-I-E Moore.

I have a question here from I'm going to just say A, so keep her anonymous. She says, “Hey, Farnoosh. I started listening to your podcast. I’m obsessed. As someone whose family has never talked about money and finances, it's been so helpful. So here's my story. I’m 37 and my husband is 43. We have a four-year-old daughter and we've been trying for baby number two. My husband and I own our own business together. And after nearly 10 years of debt and only paying ourselves enough to survive, we have finally gotten ourselves to a point where the businesses are slightly profitable and we can each take a salary of $68,000. My goal by next year is a $100,000. We have no assets, except our businesses. We have no 401(k)s. We have an amazing lifestyle renting by the beach. Now, my questions are do I put all my savings towards my home down payment that I want to buy? Should I invest in IRAs, stocks? I have no clue what to do with my $2,000 every month. I always thought of my business as my retirement plan but I know I need to start putting my personal money to work now that our businesses are starting to do well. And I should say it's not just my $2,000 a month. It’s our $2,000 a month. That’s the total saved for my husband and I together a month. I just handle all the finances.”

All right, A. Congratulations. What a year. What a turning point for 2020 to be the year that your business becomes profitable, and you can pay yourselves. Fantastic, and I see that you're managing all the money yourself. I would pull in your husband. I just started the show talking about how there needs to be more women like you, but it's not just one person piloting, right? You got to both be involved. At least he needs to be aware of what's happening. Maybe you are pulling the triggers but you're both considering and weighing in. I would prioritize retirement right now. You're at an age where you're not getting any younger. Retirement is approaching in the next 20 years for the two of you, 20, 25 years. That's enough time to catch up but you need to start. You need to start yesterday but starting now is better than tomorrow, and I would open up a SEP IRA. That’s an IRA for business owners. It’s got both your names in it, and you're contributing to this every year up to the max. Hopefully, you can do up to the max. In 2021, the maximum contribution to a SEP IRA is $58,000. So just to give you a sense of how much this could grow if you both invest that two thousand dollars into a SEP IRA. By the way, it's tax-deductible, so you're getting a tax savings, $2,000 for the next 30 years.

Let's say the estimated interest rate is 6% earnings on those investments. We're talking about over $1.8 million in 30 years. It’s nice, right? And you might be able to do even more than this starting next year if you're increasing your income and your salaries. If you started actually doing closer to that 50,000, 58,000 dollars a year, in 30 years you would have, oh, my gosh, well over $4 million. That's assuming the market does return an average of 6%, which over 30 years it might even do more. But conservatively, you would have over $4 million if you invested $5,000 a month today for the next 30 years.

Just run the calculators because, for me, I love writing the numbers. It just – Numbers don't lie and it is motivation and sometimes will tell you what you need to do. Maybe then eventually you can do both. You're going to make more. The focus is to try to make as much money in this business so that you can fuel retirement and also a down payment on the home. But I’d say for the next year, get that retirement nest egg going. Do you need to be moving right now? Is that a necessity? Is your place too small? Renting right now is probably the smartest for you to stay liquid as business owners. Then eventually, as you make more and the business grows and you've built more of a savings, that's when you can consider buying.

But if you're looking to build wealth, buying a home is not a vehicle to building wealth, a primary home. This is a place where you're going to live. You're going to invest a lot of your own money because you have to repair it all the time. You have to maintain it all the time. You have taxes. You have your mortgage, etc. So it's not really an investment, right? What's an investment is investments like the stock market and assets like stocks. So I would prioritize investing for retirement, if I were you, than building up my cash reserve to buy a house. You're going to need at least a 15, 20% down payment. I don't know exactly where you are. But if you're living by the beach right now, I’m thinking you're on the coastal parts of the country, and we know that those are very popular places to live, and homes go quickly. Maybe right now they're also going for a premium, so now is not a great time to buy if you don't have to buy. So I would wait. I would wait on the sidelines. In the meantime, get your retirement up and running.

All right. That's a wrap, everybody. Thanks so much for tuning in to Ask Farnoosh. Please remember to leave a review and subscribe if you like what you're hearing. Next week, we've got a great lineup before Thanksgiving. We've got Margaret Skoglund who is a Broadway manager, Broadway. Remember Broadway? Feels so bad for what's happening to all the performers and people who work and build Broadway and all theater. What is she doing now? It’s brilliant. Then Heather Cabot who's the author of the new book, *The New Chardonnay: The Unlikely Story of How Marijuana Went Mainstream*. Thanks for tuning in, everybody, and I hope your weekend is So Money.

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