

**EPISODE 1151**

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**FT:** It is a new dawn, welcome to so money everybody. I'm your host, Farnoosh Torabi. Inauguration week, we have a new president, Joe Biden and vice-president, Kamala Harris. Already, some good announcements on the financial front. President Joe Biden has signed an executive order that will allow federal student loan borrowers to pause their payments. Initially, it was a three-month pause, and now the extension will go for eight months through September 30<sup>th</sup> of this year. That's really great news and hopefully a sign of the positive changes that are coming.

What were you doing on Inauguration Day? I'll tell you. I was multitasking unhappily. I was taking care of the kids and trying to watch the inauguration. Frustrated that are son's school was happening during the swearing-in and the whole thing. I know thought, wouldn't they want to take a break and let the students and families share in this momentous occasion. I had one eye to the TV and one eye to his math class on zoom. A lot of the inauguration I caught afterwards. Listening to Amanda Gorman's poem was the highlight for me. In addition to of course seeing the first female, first female Indian-American, first black woman to be sworn in as vice president, was definitely a moment. But I have to say, Amanda Gorman's inaugural poem was — oh, it's everything that I want the world to be. I want the world to be full of women like her, young women like her, right, who dream big. I think she wants to be president. This is just the beginning for this young woman.

The poem itself was full of directives and hope and it had a plan in there. If you listen to it, if you go back and read the transcript. like there are some really good steps in there that we can all take to live the life today that we want. I just thought it was brilliant that they even invited a poet to come and speak. It doesn't happen at every inauguration; I've discovered this recently.

I thought it was like every inauguration they would obviously have poetry portion of the ceremony. Now, there's only been like six in presidential history, so this was historic.

I want to draw attention to two articles I wrote this month, kicking off the new year with a lot of opinions on personal finance. The first is my experience using the Robinhood app. Can you even believe that I use the Robinhood app, but I did and it's a bit of a funny story. I have sort of talked about it on this show, I've alluded to it, but this article really takes you through my journey of buying the stock on Robinhood app. It starts off really more about like what brought me to even buy a stock, because you know, I'm all about the mutual funds, the low-fee index funds and things of that nature. The fact that Farnoosh even picked a stock and bought it is unprecedented, and then I did it on Robinhood, which was its own learning experience. I talked all about what you need to know if and when you choose to use Robinhood. So check out that article on [nextadvisor.com](https://www.nextadvisor.com). NextAdvisor, where I'm a contributing editor. It's a powered by TIME magazine. I will include that link also on the So Money Podcast website for this episode show notes.

The second thing I want to point out is I wrote an article for Bloomberg, an opinion piece on why I think it's smart time to sell your house. I got a lot of hate comments on this one. People are saying, "Oh, what does she know?" I hate these comments. They're not even about the substance, more about me. Like this young female — it's like, I'm not even that young, but thank you for pointing that out. By the way, the fact that I am a female makes me more of an expert, because the biggest group of buyers in this country, home buyers are women. Okay. That said, if you're interested in maybe selling your home this year, you might want to check out my Bloomberg article. It brings up some of the things I've already talked about on this podcast, which is why selling can work for a lot of individuals who are looking for, specifically looking for optionality in their life I speak from experience.

Selling our Brooklyn apartment was for a while heartbreaking. I didn't want to do it. I felt like I was selling out. I felt like I was giving up on my hopes and dreams of building this life in Brooklyn, having a brownstone, sending my kids to school in Brooklyn. There's a lot to benefit from leading in Brooklyn. Then push came to shove and I started to really do the math, but also

think about where I wanted to be in the next five, ten years and what I wanted for my kids, really wanted for them and Brooklyn just wasn't that place anymore. So selling was hard, but it bought us optionality, it bought us the ability to do multiple things now that we were not able to do before. Because a lot of our net worth was tied up in this home's equity, in this apartment's equity. We sold, we cashed out, we used some of that proceed for buying our next home. Then the rest, we banked in the bank as our security, nest egg, and slowly, putting, reinvesting that in the stock market some of it, using some of it to renovate. So lots of stuff that we were able to do. Check that article out on Bloomberg. If you don't want to go to Bloomberg, go to my website and the link is there for you.

Let's go pick our viewer of the week on iTunes. This person gets a free 15-minute money session. This week we're going to say thank you to Angel OHTX who wrote a review on January 13<sup>th</sup> and said, "Farnoosh knows! Almost two years ago" our friend says, "I began listening to so money after yearning for financial advice from someone who truly knew what they were talking about. I stumbled upon So Money while searching for a financial podcast, pushed play and began running while pushing my eight-month-old in his stroller. Before I knew it, I'd run five miles and I put a dent in the episodes of So Money."

I can imagine this. Can you? Like this mom with her eight-month-old, running in with the stroller. I was that mom once upon a time. Our listener says, "Since then, I learned a tremendous amount of knowledge regarding money, finances that has guided me in making smarter decisions when managing my own money. I've even surprised my husband and friends with the knowledge I've been able to provide them with, all because of Farnoosh and the many resources that she has provided. It truly has made all of the difference in gaining more control of my money and how I'm setting myself up for financial empowerment and success. I also really appreciate the many guests Farnoosh chooses to feature on her podcast are of diverse backgrounds, ethnicities and believes. She really locked me in for life when she incorporated the Black Lives Matter series. So thank you, Farnoosh for all that you're doing for this community."

Angel OHTX, I want to talk to you so bad. Please, email me, [farnoosh@somoneypodcast.com](mailto:farnoosh@somoneypodcast.com) and let me know that you left this review, or you can direct message me on social media, on Instagram specifically. Let me know that you left the review and I will follow back immediately with a link where you can choose a time for us to chat. Oh my gosh, your eight-month-old now is probably three, I'm guessing. Time flies. So so wonderful to hear from you.

We have a special co-host today, very excited. I love to do this whenever I can and I extend this invitation everybody listening. If there is someone out there listening who would like to co-host with me, not meant to intimidate you. But if you feel like you're just a fan of the show or you feel like maybe you've experienced something that's very so money in your life recently or in your past, would love to showcase you and just have you share the mic with me and travel through these questions with me. As I like to say, one of the things that this podcast has taught me, now six years running, is that we are all experts. Some of us have certifications, some of us have PhDs, some of us have authored books. I get that there are different levels of expertise, but do you not spend, do you not save, do you not invest your money, have you not gone out of a lot of debt at some point? If you answered yes to just one of those questions, guess what? You have experience, you have some knowledge and it's worth sharing. We are all wealth of knowledge and I think that's really exciting. If you're in the audience willing to share those stories, I would love to amplify them, so get in touch, same way, [farnoosh@somoneypodcast.com](mailto:farnoosh@somoneypodcast.com) on Instagram.

Joining me now to co-host, very exciting to bring on the stage a fellow listener who is so generous, and kind and thoughtful reached out to me initially I think on Instagram, sent me a really great email. I'm really excited to say that this guest, we're going to learn a lot from Phillip Barker. He's not just a listener, but he's a So Money guy. Phillip, welcome to the show.

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**PB:** Thanks, Farnoosh. Thanks for having me.

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**FT:** I know that you had said in our communication, like if I don't get to co-host with you, I have a question. I would love to help you with the question if it's still relevant. You were saying that you're considering buying a lake house that you would use personally and as a rental and wondering if you should do it. So it's been a minute since that email crossed my inbox, did you do it? Are you still wondering if you should do it?

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**PB:** I am still wondering if I should do it. I'm keeping an eye like a lot of people are in real estate, on inventory in the area that I'm looking, which is South West Michigan. I haven't seen the perfect kind of place that I want to invest in yet. But yes, that question is still on the table.

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**FT:** Yeah, I can totally empathize with that. This past weekend, Martin Luther King weekend, we for the first since COVID, we took a little bit of sojourn and we went to the lake house up in the Hudson River Valley, which was like an hour and a half from our home. Completely secluded, safe but beautiful Airbnb. Every time I go to an Airbnb, I start to have FOMO where I'm like, "I should have an Airbnb. The amount that I paid for these two nights, it would have paid the entire month mortgage probably." But of course, I don't think about all the work that goes into, first, getting your place set up to earn that nice premium per night stay, and then the maintenance. I was also like, "Okay. This is too much information." But my son, he's going to be six and he's watching TV. We're sitting in the lake house and he's like watching TV, eating putting his dirty hand on the couch. We kept it very nice. I'm a very good guest, but you know, when you have a kid, it's like — my daughter was — they had boardgames, she was like losing all the pieces. Then we found a piece of domino in our car and we had to go back. Like I went back. I'm like, "Okay. I can't be an owner. I can't rent out a home because I'm going to have all those anxiety about what I actually know goes." But I guess it's also why you charge the way you charge. what you charge.

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**PB:** For sure.

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**FT:** Anyway, you're so money. You have been listening to the show for a while. Tell us about yourself and some of the financial milestones that you hit in recent years.

[00:12:19]

**PB:** Yeah. Thanks. Well, I'm actually a social worker kind of by trade and I actually, because of your show, ended up getting a designation in financial social work, because I've heard one of your guests who kind of like ran this organization, then did all that. So now I get to kind of bridge together my passions for personal finance with helping people. I love it. I would say that out of all the different kind of modalities of my practice, talking about personal finance is my absolutely favorite. It's like a high every time I get to like walk someone through their journey and support them. It's a personal passion of mine, and then to be able to share that with others is pretty incredible.

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**FT:** It's such an important work. What do you find yourself often talking about these days emotionally when it comes to money? Are people feeling mostly anxious? Are they afraid? Are they confused? What are you seeing pop up over and over?

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**PB:** Yeah, good question. I think everyone obviously is on their own financial journey and people are in different places. I'd say initially, a lot of it was just about like the fear of the unknown, right? Like last March when we all went into lockdown, people were very concerned

about how long they were going to have their jobs, what was going on in the stock market for investments they did have, how much they needed to kind of almost hoard and hold onto because we didn't know how long this is going to take to kind of come out off.

But then you have a little bit more of your savvy, your clients who understand that — last March, the market was on an incredible sale. If people are at the point where they actually have that kind of extra money to spare, they were going in and kind of welcoming some of that turmoil in the market. It's kind of all over the board, but I'd say, by and large, people had a lot of anxiety just around job permanence and what to do with the money that they did have.

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**FT:** Why do you love talking about money so much? Who is Phillip? Where did you come from?

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**PB:** I got to say, honestly, it is because I was one of these clients at one point. It wasn't that long ago in my adult life when I didn't really understand how to make kind of personal finance decisions for myself without — so kind of like coming from a place of fear. I wasn't acting anything because I didn't know what to do. So through my own journey of listening to your show for one and following some other personal finance gurus, I'll say that I respect a lot, started to just kind of build up my psychoeducation on the topic. Then started to explore how really non-scary it is. But I think sometimes just our money lessons from childhood follow us and some of that stuff goes really deep. I just kind of had a big fear around it. Kind of once I turned the light on on it and started discovering it, not only was it really fun and interesting for me, but incredibly liberating.

I think money is so freeing, it's freedom to me, it's power, so I really have enjoyed kind of reclaiming some of that that I didn't have for so long. I love to be able to help other people discover those same things.

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**FT:** And look at you know, you've got so much financial optionality, right? You got the career you love, you've got money in the bank, you've got investments, you're thinking about a second home or a vacation home and even may be retiring early.

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**PB:** Yeah. I actually started thinking about that like, "Okay. I think I have maybe 15 more years and then I kind of just —" I always want to work and do this work, but perhaps on a part-time basis. It's kind of interesting on the horizons to think that we don't necessarily always have to go down that road of retire at 65 or 70, right? That we can do it a little earlier than we anticipated, right? I think you're probably at the same book.

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**FT:** Hopefully, and I see you sent me a picture of you at Stacks House in Los Angeles, one of the --

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**PB:** Yes.

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**FT:** Oh my gosh, those were the days. Thank you for coming to that, that was a special thing. Well, Phillip, are you ready to help some of my listeners?

[00:16:32]

**PB:** Yes, I am



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**FB:** And some of your fellow So Money fans? Okay. I think you're going to be so great to provide some perspective, because much like a lot of my listeners, these gals and guys are ambitious. They have goals and I think like you once a upon a time, they're mostly working through a lot like sort of the emotional implications of their decisions. Here we go.

[ASK FARNOOSH]

[00:16:57]

A friend, Britney in the audience says,

**B:** "Hey, Farnoosh! I'm a huge fan of the podcast. I feel like I've been learning so much and I have a question for you. I'm 26, I work full-time as a nurse. I own my own house."

[00:17:09]

**FT:** Let me just take a break from this for a minute. Did you know that the biggest group of homeowners in this country, fastest-growing biggest group is millennials? But within that is women. So Britney, you are right on target. I love sharing that statistic. She invests in the stock market, she actually started last year and she said:

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**B:** "I've done really well. I'm not a financial expert by any means, but I find it also interesting. My parents in the meantime have begun asking me about all of this, because I mention I a had some success with investing, and they told me, they pulled out of the stock market in 2008 and 2009 and they haven't trusted the 'banks' since. They don't have as much saved for retirement, they've paid off their mortgage, their debts and I believe they need to really save for their

future. How should I approach them about this? What are some resources for sensitive financial conversations, child to parent?

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**FT:** I really want to get to the emotions of this, By the way, raise your hand if you are in the 2008-2009 market crash. If you had a 401(k) and got spooked. So many people, Phillip, they did pull out of the market just like her parents. We didn't have maybe the recent education, the recent history to realize like that's bad. And people did that again this time. First, I just want to offer some good resources before I forget, Britney. There are two books I want to recommend for you and there are actually two podcast episodes that pair with these books.

I interviewed recently Erin Lowry, who is the founder of *Broke Millennial*. Her most recent book, her third is called, *Broke Millennial Talks Money*. It's organized with all of these different chapters on how to have tough conversations with important people in your life. So if it's your partner, your best friend, your parents. She was on the podcast in January. Her book came out in January this year. We talked a lot about family and parents and I even shared a little bit of my own personal experience with my parents and their retirement plan. Listen to that episode, check out her book.

Then another one I want to highlight; another author is Cameron Huddleston. She is the author of *Mom and Dad We've Got to Talk*. It's all about the relationship that adult children have with their parents as it pertains to having these tough financial conversations. Because like what Erin was telling me and I think Cameron echoed this too is, it's so hard, right, Phillip. It's like we're adults, we're all adults in the room. But to your parents, you're still their kid. If you grew up in a household where you didn't really talk about money, it doesn't make it easier just because you're older to talk about money. It is hard, but I think what I'm sensing from her question and from her description of what's going on is that her parents are really proud of her and they're intrigued. I think this is a really great icebreaker to talk about the importance of long-term investing

If her parents are let's say in their 50s, they got time. They are still eligible to invest in the market and be relatively aggressive. Do they put all their money in the market? No, but they could be 50% in the market, 50% in cash as far as you their portfolio goes. I think that that's still healthy given that they've got another 10, 25, maybe 20 years before they retire. What do you think?

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**PB:** Sure. On that note, I also think it's really important to acknowledge that because of their ages, are going to be eligible for catchup contributions if they can afford that. So they can actually kind of fast-track in ways that maybe some of us who are younger than 50 are able to do right now. I think the first thing to kind of do is, you alluded to this, Farnoosh, is, they brought up this conversation with her and they've been commenting about her stellar job, which I echo. Because they did, I think acknowledge them for even just kind of bringing up this potentially awkward conversation. Really affirm them for kind of like taking the act of bravery to have this conversation. I think our parents roll off in this too, instill a lot of guidance when they're kids. When it's coming the other direction, it can feel a little awkward I would imagine for a parent.

First, I think commend them for just even bringing this conversation up. Then as you navigate that conversation, I think — you've talked before on your show, Farnoosh, about kind of having a financial date with your husband before you got married. I think maybe something like that with your parents. Really ask them like, "How would you like to have this conversation? What would make you most comfortable? Where? When?" And kind of having some kind of agreed upon norms for the setting. Just kind of like chipping away and maybe you want to show them a little bit about your, Britney, your gains, right, and kind of what you've seen. Assuming you've been in the market with this past Mark dip, you can kind of show them about how markets to rebound and you kind of let them know like, "Hey! Just in less than a year, look what happened to my portfolio after that dip."

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**FT:** I would just caveat a lot of this with the fact that Britney may have done really well in her portfolio in the last year, but it wasn't probably because you had like any foresight into how the market was going to perform. It's a lot of luck. But what we can say with certainty is that over time, sticking with the market is better than abandoning it. I would imagine Britney would still want to be considered an investor even if the last year was really terrible, if the market didn't perform as it did. I think that there is a lot of confidence in investing right now and I see it a lot on social media and a lot of these this new crop of investing experts that are like, "Look at my portfolio, I made all this money." It's like, "Yeah, we've all made a lot of money in our portfolios in the last 10 years." It's not an education of the fact that like you're a good stock picker. It's just the trend that has been that way.

You got to be careful and I think what's important to say to your parents is like, "I got lucky, but I think what I can give to my own credit is that I got in and I stuck with it, and I plan to continue to stick with it. And I would really go back in time, Britney and show them, I'm sure they've done it and if they haven't, it's really a sobering thing. Show the, what they miss out on. Because people who left the market in 2008-2009, maybe they cut their losses at that year, but they missed out on 11 years of a bull market and so much wealth that was created in that decade plus. I think that wasn't too long ago. History tends to repeat. Now, will that happen again for 10 more years? I don't know, but I can say with more confidence that over the next 20 years, at the end of that span of time, you'll be happy that you invested your money.

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**PB:** I agree.

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**FT:** I think it's also a factor of your age. Like clearly if you're approaching retirement, like I said earlier, you don't want to be all in on the market, like you got to allocate it appropriately. And how you do it — since they were in the market, a lot has changed, a lot of it has become

automated, taken a lot of the guesswork out of it. You go on to one of these automated platforms, whatever flavor you like, whether that's like an Ellevest or Betterment or a Wealthfront, I don't care where you go. They're all pretty much the same. It's just like, what kind of UX do you like? And check the fees, because some of them are a little smudged different, but generally lower than working with a professional advisor. You answer a series of questions; how old are you? What are your retirement goals? What's your risk tolerance? And then boom, you've got this beautiful portfolio that's been risk-adjusted and you just contribute to that. A lot of it is low-fee funds.

I think the good news for her parents is that the process to invest has become simpler. If you believe in historical returns repeating at some point or that historical returns can be used as a benchmark, that should build confidence in them. It could be for all three of them to do a little bit of a — like have a little scorecard going. Not to make this a game, but if they're going to have these meetings, like maybe they should come to each meeting with like an index fund that they researched or an ETF that they researched. Or the next meeting is about, which platform are we going to use to open up mom and dad's IRA. It's a very healthy conversation and all good.

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**PB:** I like that. I like that.

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**FT:** Britney, thank you so much. I think they're so lucky to have you as a daughter. Can I say that too?

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**PB:** Yeah, right?

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**FT:** She's a great daughter. I hope that my kids will become so caring and thoughtful, and we'll send in a podcast question on my behalf.

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Phoebe, our friend Phoebe wants to know — here's her situation.

**P:** "I'm 27 with no debt, a stable job and 40,000 in saving, half of which is in retirement funds. I currently make \$65,000 a year and I've been ramping up my side business from \$700 a month to \$6,000 a month."

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**FT:** Oh my gosh.

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**PB:** Wow!

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**FT:** What is this side Phillip?

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**P:** "My return on my hours is much higher in my side business. I charge \$80 to \$100 per hour doing social media strategy and graphic design, and my salary comes out to about \$30 an hour. I want to quit and I want take my side business full steam ahead, but I'm scared of the

lack of security, unknowns and what it will look like on my resume to not have a corporate job. Do you have any advice?"

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**FT:** Okay. This is classic, right? She's done really amazingly well building up the side Phillip. She's kept the full-time job. I want to ask some questions. I want to answer this with another question first, which is, why do you want to quit your day job? Is it simply because the math no longer makes sense or are you at sort of an inflection point emotionally, mentally, where you're like, "I can't be in two places at once, because this business on the side here is like growing really fast and this is sort of my moment"? Like, do you really feel like this is your moment? You kind of know, right? There's sort of — and I've been there, where I worked a 9 to 5 and I had like a lot of these side gigs where I was writing and doing TV. And I had this news desk job, which by the way gave me health insurance, access to a 401(k), a supply closet full of like markers and pens and like the little things that really add up, right? A fax machine, which obviously now is irrelevant.

But back then, I was really like Phoebe, like I am taking a huge risk. I'm stupid if I quit my job because who quits a really well-paying job that's giving you benefits. Ultimately, I got laid off, then the decision was made for me, which made it a lot easier to decide. But I think what's making this hard is maybe focusing on the things that you're going to be giving up versus what you're going to gain. I think that's really the cost-benefit analysis. Is your 9 to 5 taking away from your ability to really take this business like 2X it, 3X it? You might be close to the departure. I'm not saying you're not there yet, maybe it's like in six months. There's something to be said about holding on to that day job, like milking it for all that it's worth. Is there something that's keeping you there? You want to maybe max out your 401(k) before you leave?

Here's the other thing, Phoebe. Can your company turn into a client? Is the company you're working for, could they become a client? Where maybe they have a social media strategy department. Could you then leave, but still kind of still work for them as in a different role,

where you're now a consultant or contractor? So you haven't completely abandoned that business. There's nothing wrong with not having a full-time job on your resume, like that narrative is celebrated. Like, "Oh, you started a business. Interesting." No one is going to hold that against you.

I don't know. I feel like she's close to possibly — \$6,000 a month is not a little bit of money. It's a great time that she — and I would say, here's a good metric. \$6,000 a month, how long have you been able to sustain that? I think once you get to a point where the business has maybe earned your salary by 2X after a period of time, like \$6,000 a month for the next six months on average or year on average. Then I think you really see that trend; I think then it's a real indicator that this business has a lot of legs and is worth quitting your day job over. And you can then pay for all the things on your own, like healthcare and markers.

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**PB:** Right and right off of a lot of that stuff, having working from a home office. But yeah, I was going to say the same thing. I would ask yourself though like viability of the market of what you do going forward, right? To your point, how long have you been doing this and how long can you foresee yourself doing this at this rate, at that earning rate? So yeah. To your point about the resume, that gap, I agree, I think people look at like ambition and entrepreneurial like spirit as — I think it's part of an incredible narrative I think, so I would not worry about that one bit. I think that's easily explained away in an interview or in a cover letter. But also, I think it's really, I don't know, I think it's pretty cool and I think people really respect that spirit. Plus she's 27, there's a lot of time to get back into kind of "corporate America" if that's where she decides that she wants to end up, or the working for herself isn't as kind of fruitful or as glamorous as she may envision it to be. I think this is the time to take the chance.

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**FT:** Yeah. Again, I don't know how long she has been doing this and how much of a trend she's seen in that sort of income stream. I'd like to see at least several months of that or a year



of that to really good you evidence of like, “Okay. This is it. I’ve reached a point where this can stand on its own.” Truly, no better time to start a business than a recession.

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**PB:** Right.

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**FT:** I think being in the social media business, strategy online, if it’s an online related business, which clearly this is, you’re also on the money there. Phoebe, you have our blessing to do this. I would just say, have it planned out. Like don’t walk into your boss’ office tomorrow or Zoom him/her tomorrow and be like, “Peace out.” But really understand, first of all, if you trust your boss or your manager, can you have an honest conversation with him or her about how to maybe parlay over to becoming more a consultant for them? I don’t know if this is what you do at your current company if you’re doing social media strategy and all that already for your company. But if you haven’t even discussed this with them, they don’t even know you have a side Phillip, maybe it’s not a bad idea to get them in on knowing that you’re doing this. Because it sounds like you’re already accepting the fact that this is going to be your future. And if there’s going to be any backlash, I don’t know. But if you don’t sense any harm in telling your superiors about this or your colleagues about this, that could be healthy too, is sort of get their feedback and maybe they inspire some ideas. “Well, hey, you don’t have to quit, but we’d love to have you go part-time and work on this” or “We’re looking for a temp in this other department.”

Don’t worry about the health insurance, don’t worry about all the other stuff, you can get it. We have access to health insurance in this country and you also can get a lot of tax deductions. Incorporate yourself and keep me posted. I’m really excited for you, but that’s great, \$6,000 a month. Clearly, you’re very talented.

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Okay. Next is Liz and she's 23. She's making about \$75,000 a year and she lives at home with her parents all for free. She's got zero debt.

**L:** "My only expenses are extremely small bills and any car maintenance. I contribute 20% to my 401(k) and I just opened up a Roth IRA, which I contribute the max. My father helps me understand finances, but listening to your podcast has given me validation and new perspective. I'm currently saving as much as possible and I have about 30,000 in cash. Within the next few years, two preferably, I would like to move out, but I'm not sure the pros versus cons with renting or buying."

[00:35:23]

**FT:** I think I need to pair her up with Britney, our first question, who's the homeowner in her 20s. You'd be in good company if you became a homeowner, Liz. Her question is?

[00:35:36]

**L:** "Should I save to buy? Is that the most obvious choice? I'm going to be working from home, I'm going to be single. I don't really have plans? I don't really have a lot going on."

[00:35:49]

**FT:** You do, you do. You have a full life, Liz. You don't have to be in a partnership to feel full.

[00:35:54]

**L:** "Also, if this is my goal, how can I be maximizing my money and chances becoming a property owner if I want to buy in the next couple of years? Should I put this money in the stock market? What should I do?"

[00:36:06]

**FT:** Let's dissect this, Phillip. By the way, do you own --

[00:36:10]

**PB:** I do, yes.

[00:36:11]

**FT:** Currently? You do? Okay. This is really a question about, how do I prepare for homeownership in the next couple of years? She's in a great privileged place where she gets to benefit from paying no housing right now. I always tell people, especially people who are graduating from college or in their early 20s, it's definitely not cool to live with your parents in most cases. It's not we don't love our parents and it's not nice, but you want your independence sooner than later I would suspect. Living with your parents, I mean, my brother for example, he's 30, he goes home for two weeks. He's like, "Enough already. Like my parents, they want to know where I'm going. I got to tell them when I'm coming home from a party. It's like I'm 15 again."

But I think that there's nothing financially more advantageous than not having a housing payment for the first two years of your life, of your adult life, right? To not have to pay rent, especially in a big city while working is such a leg up to be able to, whether that's paying down your debt more aggressively or in this case, saving \$30,000. If my kids want to live with me when they're 23, I'm all for it. Because if it means they are going to be able to save what they would have pay towards rent, then it's a great idea. It's a no-brainer. I don't think you should put this money in the stock market, even though the plans to buy are not immediate. If your plans are to buy within the next zero to five or seven years, just keep it liquid. Whether you are planning to use this money for a home or car or business, any money that you need, it's my big rule of thumb. Any money that you absolutely need for the next five years, maybe even six or seven don't risk it in the stock market. Don't think that, "Okay. Well, we've had such a great

couple of years or 10 year that that's going to repeat." It doesn't always, and there might be, out of the five years, there might be four great years. But that last year is going to suck and you're going to really regret having your money still on the market.

Keep it liquid, put it in a bank account. I know it's earning zero and it's probably going to be a little bit less with inflation when you're ready to pull it out. But I think you'll sleep better at night knowing that you can have access to that and you're not like really, really losing the value of that money. Then the other thing I'd work on and maybe you were going to say this, Phillip, is her credit score. Have she even check? Because that's so important when you're buying a house.

[00:38:43]

**PB:** I'm definitely team homeownership for myself and I think having purchased my first place — I know Farnoosh, you've both in Manhattan quite young. The equity when you are able to kind of trade up if you will, it's pretty incredible how that builds. I definitely come from a place of homeownership. But like you said, I would not put anything in the stock market that you need within the next five years. Perhaps you'd want to consider like a CD ladder even and go to comparison rates and just put your money and kind of lock it away in a good of interest rate as you can find right now. They're not great, but they are better than the volatility that you might experience in the market in the next five years.

[00:39:28]

**FT:** So there's CD ladders which you can Google and you can learn about that, but what was the website you mentioned, Phillip?

[00:39:34]

**PB:** I personally like NerdWallet. They're great to compare rates. So yeah, I would go there and just see who's offering high interest savings accounts or CDs.

[00:39:44]

**FT:** Yeah. I actually did an article, I mentioned it on the podcast recently and you can Google it. It's a written article for Bloomberg on where to park cash that you don't need for like the next three to five years, that people always ask like, "Okay. There's got to be something better than a 0% interest-bearing bank account?" I'm like, "Well, you know, it's not — the options are kind of slim pick-ins between that and investing, they're CDs obviously, but the rates have been so low." So mostly like, the trade out to that is, you got to keep your money there. It's not liquid like it is in a bank account.

Check out the article. There were a couple of other ideas in there, including things like — there's some banks that are lesser-known, but FDIC insured that are looking for new customers. So as bait, they will give you some sort of sign-on bonus. You park a few thousand dollars with them, they'll give you a few hundred bucks right away, and then the interest rate is still zero, but at least, immediately it feels a little bit like, "Oh my gosh, I got a 10% interest rate." Those things do exist, you have to research them.

But basically, bottom line, Liz, we're pro-real estate here. Fantastic that you've been able to save so much, but imagine how much more you're going to have. You're going to have more than double that over the next three or four years. Then, also, spend time building your credit, check your credit score. Pull out your credit report, you can do that at [annualcreditreport.com](http://annualcreditreport.com). You can check your credit score probably wherever you bank online. To get the best interest rates right now, you want to have a score that's in the 700s or higher. So that's all-good homework between now and the home purchase. Then obviously, you start looking, get educated in the markets that you're interested in to understand what things cost and where you can find value.

[00:41:38]

**PB:** I mean, 23 years old and \$75,000 is like, I mean, I don't know. Maybe I'm a dinosaur, but that seems like, yeah. That seems really —

[00:41:45]

**FT:** It's a lot.

[00:41:46]

**PB:** It is. Plus, like you said, she's able to invest a lot more than a couple of years maxing out the Roth and then the 401(k). That 30 grand is going to grow quickly and specially if it's getting a little bit of interest on top of it.

[00:42:00]

**FT:** Very excited for her. She's so money.

[00:42:03]

Kristen, last question

**K:** “Farnoosh, just started listening to your show and I am loving it. Growing up in a family below the poverty line, I have almost no financial literacy and I'm trying to catch up now that I'm in my 30s. I recently came into an inheritance from an older relative who passed away. So far, I've used it to pay down all my credit card and private student loan debt.”

[00:42:26]

**FT:** She also has some federal student loans, but they're eligible for PSLF, and we know that with, I can say President Biden now. He and Kamala have proposed to continue the deferment of student loan payments on federal, so that's good news for anyone who's got federal loans.

[00:42:49]

She says that,

**K:** “I have 54,000 sitting in savings for over a year and I’m watching those interest rates go down. I probably won’t be in a personal position to buy property for another couple of years at least. Is it a terrible idea to take, let’s say 40,000 of this, like 90% of it and invest it in index funds, like an S&P 500? I’d like to avoid tying any of it up in my retirement accounts since I probably will use it as a down payment in less than five years.”

[00:43:15]

**FT:** All right. So if you were listening to me talk to Liz, you know what I’m going to tell you, Kristen. It’s a similar question. Five years, I think that’s pushing it for me. I think if you are going to buy a home in let’s say eight years or ten years, I think an index fund that you then adjust as you get closer to needing it, maybe you get a portfolio together where you’re like 50% stocks, 50% cash. But you can go on a lot of these platforms and open up a brokerage account and they’ll say, “What do you need this money for? Is it for like the next five years? Is it for your retirement?” And given your timeline, they will risk-adjust this portfolio and then continue to adjust it the closer you get to needing this money.

I guess, something that I didn’t tell Liz here for Kristen is, if you really do want to invest it and you have more risk tolerance, doing some research on these platforms, again, they’re all like virtually the same, many of them but they just sort of have a different personality, a lot of them. That you can present a profile to them like, “I’m a short-term saver more likely, not really an investor.” They might still give you access or exposure to stocks, but not heavily and will also monitor the portfolio and adjust it to make sure that you don’t overexpose yourself, especially in the final year of needing the money. That’s what I would say to my friend, Kristen. Any other parting thoughts?

[00:44:52]

**PB:** For someone who grew up below the poverty line with no financial literacy, I think like she's doing a really great job of just kind of educating herself and taking this into her own hands. The fact that she's even writing in and listening means that she's trying to change from where she came. I think that's pretty fantastic. Props to her for that. But yeah, I would agree with you. I don't know where you fall, Farnoosh these days with the emergency funds, but I'm assuming that extra \$14,000 then between what she has and what she plans on investing. I hope that's enough to cover anywhere between six and twelve months of emergency savings.

[00:45:29]

**FT:** Thanks for pointing that out. I did think of that in a moment as I was reading the question, I forgot to go back to it. But 54,000 is a lot of money, but it all depends, right on your circumstance. Is that going to be what you need for the next six to nine months in case you lose your job or in case you decide to quit your job because you can't take it anymore and you need time to figure out your next steps, which is totally fine. But having that cushion is going to give you optionality. On other words, the option to do what you want as opposed to like forcing yourself to make hard or bad decisions.

And \$54,000, if you spread it out over a year, that's like five grand a month. I'm going to guess that's plenty. I don't know. Again, I don't know what your obligations are, but it sounds like she's has had this inheritance, it's helped her pay down debt, so she doesn't like a lot of debt payment. I guess the homework for you, Kristen, is to understand of this cash that you have, how much of it do you absolutely need to pay for bare-bones expenses for at least six months in case you have no other income? And then the rest you could choose to invest in a conservative way or just save if you really want to buy a house sooner than later. I would not really gamble it in the market at that point because it's anyone's guess. I'm hopeful. Are you hopeful?

By the way, we're recording this on Inauguration Day, Phillip. Tell me all the feels you're feeling.



[00:46:57]

**PB:** Oh, goodness. As a social worker, it's not a surprise to most, just part of our code of ethics, it's just what I stand for. I'm very happy, very hopeful. I was a lot more emotional this morning than I expected to be. So yeah, I'm happy and hopeful.

[00:47:15]

**FT:** I'm with you. We still have a big mess ahead of us, but it is nice and refreshing to have a leader who leads with empathy and respect, and a respect for the role and the country. Look, I'm sure many people listening didn't both for him, but I think words matter. I think we can all agree that words matter, and I'll just leave it at that. So very hopeful but cautiously optimistic, we've got a lot of work ahead. My nanny actually just got vaccinated, so we're happy for her.

[00:47:53]

**PB:** Nice.

[00:47:54]

**FT:** Yeah, on Inauguration Day too, so it's been a special day in our family as well. All right, Phillip, thank you so much. And everybody, check out Phillip at [phillipbarkerlcsw.com](http://phillipbarkerlcsw.com), licensed clinical social worker. So good to have you in the field. I know you're just doing such great work and were so happy to have you in the audience. Thanks for reaching out and being such a great co-host.

[00:48:20]

**PB:** Thanks. It was an honor to be here. I really had a lot of fun.

[00:48:24]

[00:48:26] Will you come back?

[00:48:25]

**PB:** Absolutely. Any time.

[00:48:26]

**FT:** All right. Fantastic. Okay. Officially Happy New Year, everyone. This is day one of the new year. It's here, make it a good one.

[END]