

EPISODE 1205

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FT: Welcome to So Money, everybody. It's Ask Farnoosh Friday. As we head into a long weekend, I hope everybody has some fun plans. If you are vaccinated or just feeling good about being around people, I hope that you are going to remain safe this weekend and able to connect with love ones, go somewhere fun, have a good time. I went and had lunch with a friend this week in a restaurant and it was — I can't even tell you. I had like an out of body experience. IT was a little socially awkward at the beginning. Didn't know whether to like fist bump, or elbow bump or hug. We did a hug. We went in for the hug. We're both vaccinated. I mean, to say that out loud, it feels even a little scary, because I know I don't want to — like people are going to judge, but I'm doing me.

This is the message that I'm giving everybody. I was doing a lot of media this week on the vaccinations. People going out into the world, and maybe this weekend even having for the first time an experience with other people, going out and eating out, getting on an airplane, going to a backyard barbecue and how to do that and feel good about it or not awkward about it. I was like, "Look, do you if you're still scared from this pandemic because you have PTSD, or you aren't vaccinated or living with people who aren't vaccinated. Then yeah, I mean, that comes with a bit of trepidation and reasonable concern. Don't feel pressured to go out there and do what everybody else seems to be doing, which is out there and going maskless and having a fun time.

We know what the CDC is recommending, but depending on also what your state is recommending. It could be different. Here in New Jersey, we're still mandated to wear masks inside of stores and inside of restaurants, except when we're at our tables. I want to respect that. I want to make people also feel comfortable. People have been coming over the house still wearing a mask, because they may not know what I'm comfortable with. Then once they get here, I'm like, "Yeah. If you're vaccinated, you can take the mask off. It's cool." I think that's nice.

Let's be respectful. We don't know where people are coming from, but for you, yourself, if you feel like you're going to get judged, set that aside. Do you. I'm not going to judge you.

Speaking of judging, I got a couple of notes this week from listeners, an email or two, a bit of a triggering episode on Wednesday where I hosted Emma Johnson on the show, in case you didn't catch that episode. It was all about her plea for 50-50 shared parenting post-divorce. Right now, in a majority of divorces, mothers are the primary custodians or they have full custody, 80% of mothers. There are so many reasons for this that I can't get into. But Emma is a divorced mom of two herself. She runs *Wealthysinglemommy*, which is a platform, a community to help single moms build opportunities and wealth for themselves. She is a proponent of equal shared parenting time.

When you get divorced, the protocol right now is for moms to get primary custody. Again, for various reasons. But one of the reasons she would argue is that it's just kind of inertia. The courts, moms, society, all believe that it is the best interest of the child to stay primarily with mom, but that kind of goes against modern studies, psychological studies. It also has ripple effects. When the child engages less with the other parent, there are ripple effects to this and studies have proven that it can lead to mental health issues. The list is long.

The podcast didn't really go into all of that. It was really a 30-minute conversation about what is shared parenting, why Emma is an advocate for it and how it can potentially, potentially help mothers. Of course, there are many benefits to this, but really looking at it through the lens of financial opportunities, closing the opportunity and wealth gap for single moms, perhaps using this strategy, this custody strategy as a way to do that. It's sensitive y'all, I know that, so more reason to talk about it. When something is of a sensitive nature, when something is not black or white, that's why we need to continue to talk about it.

Now, I wish that I could have hosted a panel way of many people coming out it from all the sides, but this podcast really is just an icebreaker to larger conversations that we then can go home and have or you can email me and I'll reply. I'll most likely reply. I also wrote a huge article about this for NextAdvisor. It was like over 3,000 words. We trimmed it down because we know that everybody's busy and doesn't have time to read Farnoosh's monolithic articles. But I think that article provides a broader view of this, and shows more angles, also brings in more experts.

I got judged, I was called not educated, I was called — someone said that the podcast blamed mothers. I can see where someone could interpret that. We're giving advice to moms to say, "Hey, consider this." But really, we're saying to all parent consider this, all divorced parents consider this potential of shared equal time. I know, some dads are druggies, some dads are abusive, also some others are the same way. Some mothers are abusive. I wasn't going to get in to all of that, because that's a whole documentary but I just wanted to introduce a piece of thought leadership, which is actually trending a lot right now. I think that it can move the financial needle along for some divorced moms.

Emma's got a study and she talks about moms and ex-partners who do 50-50 shared parenting, the moms are richer, they make more money, they have more time to make money, all the things. Listen. I just want to say that I understand all points of view. Sometimes the podcast doesn't have time to go into all the different sides. Please email me when you feel unrepresented, or unheard or misunderstood. I responded to all of those notes that I got this week from a few unhappy listeners, but I will not drop the subject. Don't think that I'm going to just drop the subject. If anything, I will continue the subject. Thanks to you. More informed, more enlightened. Please let me know and please keep it nice.

Sometimes people have the tendency to be combative in their emails to me or in their direct messages. I don't deserve that. We're all human beings. It's all coming from a good place. I do think at the end of the day, we are all on the same team. If you've arrived at this podcast, it's for a reason. It's because you do like me, believe in financial independence and financial empowerment. We're not going to always agree, but please don't come at me with a baseball bat. It's not nice and I don't play that way, but I will reply and I will reply very nicely and I hope that we can continue to engage.

Shifting gears to our iTunes review section. I want to say thank you to our reviewer of the week who will receive a free 15-minute money session with me. I love this part of the week, I have to say/ I always love talking on the phone with someone that I don't know, who kind of knows me a little bit and it always is an easy conversation. If you're worried about getting me on the phone and is it going to be awkward. It's never awkward. It's never awkward for me. This week, Chris Janice 1197 left a review on Sunday calling the podcast illuminating. Chris says, "I have really

enjoyed listening to this podcast over the last two years, easily relatable, diverse topics and insightful comments all make me tune in every episode. As a mom in a family of five, living in a lower income, I still am able to find ways to grow our investments and educate myself through this podcast.” Thank you so much for quality content.”

Well, thanks so much Chris Janice 1197. You can direct message me on Instagram, let me know you left the review or email me, farnoosh@somoneypodcast, let me know you left the review and I will reply with a link where you can pick a time for us to have a chat about whatever. I just talked to a listener this week about planning for a baby, planning for a move. Her partner’s company just IPOed, and now, her retirement is a little bit more set. They have a little bit of a nest egg, but so many questions still remain. How to manage money as a couple, as newlyweds and a lot of big milestones in their future. Always happy to be a girlfriend, be an informed girlfriend and to help you through some of these big decisions.

[ASK FARNOOSH]

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Let’s go to the mailbag. First up is our listener, Lao, who writes,

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L: “Can you discuss how to find a tax professional to advise on future investments on the podcast? Do they need to be local, a millennial-friendly service like XY planning network?”

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FT: Well, Lao, I think that the first step in handling your investments, if you want to work with a specialist is to work with a financial planner. If you know me, I don’t like to just work on my investments with a financial planner. I want the holistic experience. I want to know about retirement planning, but also maybe education planning for my kids, insurance, how to maximize my savings. Maybe this person can also connect me to an estate planning attorney to help me with my will and all that, my life insurance. Start with a really good financial planner and

I think that person should also, if not, him or herself experienced in giving tax advice with regards to investments and invest in planning, but can refer you to someone that they might work with.

Here's a thing. You can work with a separate tax expert, but they may not know your whole financial situation, right? It's really important that whoever you work with is plugged in. I remember when I worked with a financial planner early on in our marriage, she was fantastic. She had a whole team, either on staff or you just a phone call away and email away, someone she liked or a team of people she liked that she would refer us to. I found my accountant through her. I found my insurance agent to her. I found my estate planning attorney through her. It was great because then. all of us could be on group emails, she could share documents with these folks and then they could be more understanding of what my needs are to then go and get me the extra stuff that I needed. The financial planner maybe wasn't licensed to do, right?

In your case, you want to find a tax professional to advise you on investments. I would say start with a financial planner who might be able to do this for you. It doesn't necessarily have to be a CPA to understand the tax implications of say, buying and selling stocks. Here's the other thing, tax loss harvesting. which is what a lot of us are looking for when we have an investment portfolio. It's a strategy that applies to taxable investment accounts. This is not your 401(k), but if you a brokerage account with various investments in there, you may want to look into what's called tax loss harvesting. It's where you sell certain assets, stocks, bonds, mutual funds that have lost value that year in order to offset the gains in the other investments that you have in that portfolio and effectively reduce your overall tax liability at the end of the year.

This strategy is an opt-in feature across many of the robo-advisors out there. You know we've talked about Ellevest, Wealthfront, Fidelity, Vanguard, Charles Schwab. All of these companies have automated investment platforms, and I think all of them provide the opportunity for their investors too opt in automatically into tax loss harvesting. This will get done for you automatically as part of your membership. If you work with an individual, they can do this for you on their own. It will be probably included in their annual fee, which you remember, when you work with an individual, it's more expensive than working with a robo-advisor and automated platform. But in both situations, you can get access to tax loss harvesting to optimize your taxes. Additionally, though, if you want to work with a consultant to work on things like creating a

pension for your business. In that case, working with a tax professional and a financial advisor together, very important.

At the end of the day, you have two routes you could probably take here. You could work with a certified financial professional to begin with and you can get that person through a friendly service like XY Planning Network or NAPFA. Make sure they are certified financial professional. They, that person can either handle your tax optimization or in introduce you to someone who specializes in this. Then together, that team works with you and you pay fee for that.

The other route is to work with an automated platform, you don't work with an individual, you plug into — let's say, I work with Charles Schwab, you create a brokerage account there and then you check off the box that says, "Yes, I'd like to opt in to tax loss harvesting," which I explained. You sell certain assets that have lost value in order to offset gains in other investments, overall reducing your tax liability for the year. The automated platforms can do this for you automatically.

Those are the two pathways for you. I hope that makes sense. If you have any other questions, you know where to reach me. I think this question came in through Instagram, so you can follow up with me there.

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Nevis has a question, she says,

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N: "Hey, Farnoosh. I wanted to ask if you had a recommendation for a fee-based financial planner. My boyfriend is 42. He currently has about \$110,000 in his 401(k) through Fidelity. He also has a permanent life insurance plan through Northwestern Mutual. He pays about \$500 a month for the policy and is under the impression that this is a retirement account and that his money is invested for retirement. But I did some research and it looks like the \$500 is going towards paying for the life insurance policy and that he will have to pay the premium until he dies to be able to get the cash surplus. What are your thoughts on this? What question should

we ask the Northwestern Mutual representative? Do you think he is better off canceling that policy and putting the \$500 in a Roth IRA invested in index funds?"

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FT: Well, I'm curious why your boyfriend has this robust whole or permanent life insurance plan. Okay, this is expensive. Five hundred dollars a month is expensive and he's 42. So yes, he'll have to pay this forever. It's not term where it ends at a certain year, after a certain number of years. It's whole, which does usually have a cash value. I would ask the Northwestern Mutual representative about how this can be utilized while alive. You're paying this premium, you pay it every month, presumably forever. But at some point, the cash value is going to be accessible to him. I get that that can be attractive to somebody as a way to supplement retirement income. But if you did the research and found otherwise, like there's obviously a big question mark there. The representative at Northwestern Mutual should be able to clarify this for you and him.

But the bigger question which I like the you asked is, why does he have this policy? I don't advise getting insurance whole or term unless you have dependents who would benefit from having a life insurance policy, being a beneficiary to your life insurance policy in an event that you go away. Are you dependent on him for income? Does he have nieces and nephews or parents that are being supported by his income, in which case life insurance can replace that income? The why is really important to explore here. If there's not really a person or a reason to have this insurance other than he might just feel better having it, he might feel like he's financial adulting having this robust life insurance policy.

I can see where the Northwestern Mutual representative would convince him otherwise, but remember that that person's incentivized to get us all to sign up for policies. I was poached in my early 20s by aggressive insurance agents to get a life insurance policy. I was 25 years old. I had no dependents, so I didn't get it. I had insurance through my company, it was fine, it wasn't a lot but it was enough for me. I didn't have kids. I wasn't supporting my parents. If I did need money for a funeral, God forbid, I guess my parents would have paid for that or we could have sold my apartment. I own my apartment and had that pay for it. I didn't really see the urgency for life insurance. What is the urgency for his life insurance?

Do the math, \$500 in a Roth IRA invested in index funds for the next 25 years, what is that going to earn him versus this whole life insurance policy and its cash payout, which may or may not to your point be available. I'm not really sure what the details of this whole life insurance policy are, but you want to get to the root of it. Talk to the representative, but also talk amongst each other about whether or not this mathematically is really worth it and why is he doing this. Is it just for the "security", but really there's not really a need of for it, right? You're asking all the right questions, Nevis. I'm glad you checked in. I agree with you. There needs to be some investigation on this and I don't know if this is actually smart. Maybe he would be better off cutting his losses and moving out money into an index fund.

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Tia has RSUs and she's writing in and asking what to do with them. RSUs everybody are restricted stock units. She says,

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T: "I have these RSUs from my employer, they will vest shortly."

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FT: Just to give everybody contexts. RSUs, sometimes companies provide their employees with these restricted stock units. It's another way to offer a benefit in addition to your salary. They'll say, "We're going to give you these many units of our stock." It's an incentive for you to stay at the company. So after three years, you can cash in on these stocks. She's approaching this and she says she's fortunate enough to work for a company where the stock has increased 14% since the RSUs. Tia says,

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T: From all my research, it is not advisable to have a large percentage of your investment in one company and this would absolutely put me in that category. What recommendations do you

have for how to handle these RSUs. I'm considering trading some of the stocks once they vest for ETFs to diversify my portfolio."

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FT: I agree with you, Tia. I think that there is a rule of thumb that I actually really like, which is that, you should never more than 10% of your investments in one category, or one type of asset, or one particular stock. In this case, after the stocks vest and you look at the pie of how many RSUs you have against maybe all of your other investments, through your 401(k) or whatever. If it's more than 10%, I would sell a little bit of it and invest it in something more diversified, like an index fund, an ETF. I think you're right. I agree with you. You've been listening to the show, you know.

Maybe you listened to Sallie Krawcheck, who's the founder of Ellevest and a Wall Street titan. She ran Merrill Lynch for many years. She came on this show a number of times. I remember one time specifically, she said she had way too much money in her company stock and that was a regret. Because during the financial crisis, of course, a lot of the bank stocks tanked and her net worth went south as a result of having so much of her net worth tied to her equity in the company that she worked with. So yeah, Tia. there is a risk when you're over invested in any particular investment category. Ten percent is a good kind of threshold. If you exceed 10%, you might be getting into more riskier territory. I wouldn't do too much more than that.

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Next stop is Emily writes in and she says,

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E: "I'm 30 years old and I have \$30,000 sitting in my bank account, traditional savings account. making pennies every year. Lame!"

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FT: That's her word. Exclamation point. She's got two big events in the near future, a wedding and buying a home.

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E: "I'd like to put my money in a place or multiple places where it will grow more, but still be immediately accessible. What do you recommend doing?"

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FT: All right, Emily. We've covered this a little bit on the show, but it's always worth repeating and refreshing. If you need this \$30,000 in the next five years between now and the next five years. Between now and 2026, you need to tap this money. You don't want \$25,000, or \$26,000. You want \$30,000. You need to put this somewhere "safe." Now, I know there's inflation and inflation is on the rise. I want to make a recommendation for you to curb inflation a little bit. Because yes, if you just keep this money in the bank account earning 0.00%, whatever it is, technically, we'll lose value. Given that inflation rises on average every year 1% to 2%, probably more in the coming years given where we are with the economy.

I wrote a piece for Bloomberg many months ago anticipating inflation and suggesting to readers. If you wanted to park your cash that you don't need today or tomorrow, but maybe in like the next three to five years and you don't want inflation to take a bite out of that cash, there is a category of savings called I bonds. It's a relatively safe US government backed investment. It's sold directly to the public. They're not going to make you rich, but they will track your cash alongside inflations, with the very least, you won't "lose money." We know inflation is on the rise, so it's something to chew on. The savings rate for I bonds just to share is a combination of a fixed rate and an inflation rate that is established twice a year. Current rate is a little bit more than 1%, so that's better than what you're probably getting at your bank.

You can technically withdraw the cash after the first year. If you do it that early though, you're going to lose the last three months of earned interest. But after five years, you can withdraw without penalty. But also, I know you have \$30,000. The savings cap is \$10,000 per year for electronic I bonds or \$5,000 for paper I bonds. It's not a cure-all but it's an option to consider for

you maybe putting part of that money in an I bond. Depending on maybe which goal you want to do last, buy the house or have the wedding, I don't know which one. I say that because I did it in reverse. I bought the house first and then I got married, which I actually recommend if you can swing it. I'll tell you why in a second, but this could be a place to park maybe a third of that money, \$10,000 worth of it to at least make sure that it's not losing money because of inflation.

Parting thoughts. It's interesting, you're considering buying a home and getting married in the next five years and I assume you want to buy this home with your partner. I'll tell you what, we benefited a lot from buying the house first. We were planning already to get married, we were engaged, we had a date, we were getting those things in motion. But I know myself, I'm easily tempted to overspend on things that are emotional, like your most special day. I wanted to create almost like a roadblock for me, which was a financial roadblock. Like buying this home first would inevitably mean that I have to put my financial resources towards the house before the wedding. If you think about it, it's going to hopefully last you many, many years. It's a place you're going to live in day in and day out. It's a real source of happiness for us. A wedding, yes, it's important, something you'll never forget. But if you're deciding between where to put more of your money or how to prioritize your money, I think a home long-term is a better place to put it.

You never want to be in a place where you overspend on the wedding and now you can't buy the house. I knew myself, I want to create some parameters for myself, maybe some financial restrictions. We set the date for the wedding, but then we went and started looking for apartments and bought the apartment first, and then a year later had the wedding. I'll tell you, it was great because I could then go and proceed with the wedding planning with more peace of mind, with more of an understanding of truly what I could afford, because I'd already become a homeowner, I knew what my mortgage was going to be. So I didn't go for like the swan ice cultures. I'm getting weird on that. But we were a lot more prepared to spend for this wedding knowing that we had our bases covered.

It doesn't always work out beautifully like that, but also, you got to know your partner. You got to be sure you're going to marry this person, so we did it after we were engaged. Like things were good. We took a little bit of a leap of faith I guess buying a home together without actually being married and having that marriage license, but it's working out so far. This is not universal advice I'm leaving here, but I'm just giving you our personal experience and why it worked out for us as

perhaps inspiration or food for thought for you and your partner. But congratulations, sounds like you've got a lot of wonderful events on the horizon, huge life milestones. Thank you so much for listening to the show.

Thanks for tuning in everybody. That wraps our Friday episode of Ask Farnoosh. I hope everybody has a relaxing, safe and memorable Memorial Day weekend. We'll see you back here on Monday with a fresh episode of So Money and I hope your weekend is so money.

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