EPISODE 1245

[INTRODUCTION]

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FT: Welcome to So Money, everybody this Friday, August 27, 2021. I'm your host, Farnoosh Torabi and this is our Friday, Ask Farnoosh. We have questions about how to manage money in a relationship when you're moving in together for the first time. Does care insurance cover your disability following an accident and how much life insurance should somebody have? All this coming up, but first, let's recap the week, our great episodes of the week.

On Monday, Dasha Kennedy, who is the founder of The Broke Black Girl social media community and website that services over 70,000 Black and African-American women helping them achieve financial independence. Dasha is a single mother of two boys and she came on the show and spoke very candidly about how she learned about money, the mistakes that she made, her divorce, what that taught her and her advice for women and in particular women of color as they strive to build wealth, and what systemic changes she believes are necessary in order to facilitate that.

On Wednesday, we covered all things health insurance with Dan Weissman who is a veteran radio journalist and now host of his own podcast called An Arm And a Leg, where he dismantles our country's health care system, bringing on guests who talk about their savings strategies, their victories in some cases, winning against big healthcare. In our conversation, he offered his advice on how to pick a health insurance plan, how to negotiate your medical bills, how to be your biggest advocate against what is one of the hardest aspects of financial adulting as he describes it and I don't disagree.

Let's head over to the iTunes review section and pick our reviewer of the week. I will give a free 15-minute money session to this person. Every week I pick a reviewer in the review section, usually from iTunes. I'm trying to look around and see if there are other reviews left on other platforms. If you did leave a review somewhere other than iTunes, give me a heads up. DM me on Instagram or send me an email and let me know that you're listening to the show on another platform, but a majority of people do listen on an Apple device. This is where I am sourcing these reviews.

This week, we're going to say thank you to NSotto01 who left a review earlier in August saying, "If I could give it more than five stars, I would. So Money is part of my daily routine every Monday, Wednesday and Friday. I started listening in April 2020 after I started a new job right after the pandemic and I have not stopped since. Farnoosh has taught me so much and I love how she explains complex topics. I also really enjoy how she brings in guests from different perspectives. I started a business last year because of an opportunity that I heard on this podcast" Whoa! "She's helped me feel confident in my investments and excited about my future building. Well, this podcast is life-changing."

You are certainly changing your life, NSotto01. I want to hear all about your new business, starting it in a pandemic. No doubt this is a trend. Many people are starting businesses in times of despair and out of necessity. We know that in the last recession, many people started their own businesses and in this current time, with the pandemic and then the pandemic caused recession that we experienced all of last year, many people were desperate to bring in income and said, "You know what, I'm just going to finally start that business" from home, I guess, that online business or at least, "I'm going to start planning that business from home and then one day hopefully have a storefront." But would love to connect with you, NSotto01.

You can direct message me in Instagram, you can email me farnoosh@somoneypodcast.com. Let me know you left this review. I'll send you a link and you can select a time for us to chat. Looking forward to it.

Funny story, the other night, I had a nightmare, a financial related nightmare. It was this, I dreamt that our real estate agent convinced us to sell our home. I don't know if you know this, but we bought this home that I'm currently recording this podcast in in New Jersey last year. We made the offer in March of 2020, which I – looking back I think was the only week of the entire year where you could actually get a home without the drama of being 1 of 20 bidders. There was one other bidder on this home and it wasn't even that serious of a bidder. It was somebody from out of state who just like had just started their search. We were very aggressive and we made an offer and we even offered to buy the furniture and move in in 30 days. It made it very easy for the seller. Long story short, we got this home and every day, we are like counting our blessings because I look at all these other people right now trying to buy a home in our town and for the past year have been trying to buy a home in our town to no avail.

They've made offers on over a dozen homes and they're always like 1 of 15 bidders. It's just exhausting, and at some point, you just quit, I suppose. But in my dream, I sold the house. I sold this house after a year, because I got money greedy, I guess. I thought we could flip it essentially, because again, we bought it during this really random week of 2020 when things were selling at asking price. They are no longer selling at asking price. They're selling for 30%, 40%, 50% above asking price. My real estate agent, of course she's wanting to make her commission. She's like, "You could sell and maybe go into something a little bit smaller, which will still be fine." I said, "Okay. Let's do this."

I remember in the dream second-guessing myself, having all this remorse like, "Okay. We're going to sell it. We're going to have money in the bank now, but now what?" Which is the question everybody's asking themselves probably right now, looking at their home values going up and wondering. So what? Only if I sell it, will I actually have some sort of ability to execute on this equity, right? Yeah, you could take out a HELOC, home equity line of credit, but that's still borrowed money. It's not really your money, until you sell. But then what? Right? I think selling could work for a lot of people right now, but definitely not where we are in our life stage, with our kids still in school and transitions are hard at this level, at this age in your life when you're moving. We already moved and now we're going to move again.

Anyway, I woke up sweating, told my husband that morning and he was like, "Yeah. That's a nightmare." I was like, "I'm just letting you know that I will not be moving from this house. They'll have to take me. I'm kicking and screaming. I just want to share that with you." I think about money a lot and I also think about it in my dreams. I guess that's the byproduct of hosting a financial podcast. If anyone else can relate to this, living in a home where you might have built up some equity and wondering what to do about it.

I actually did a podcast episode on this if you go to somoneypodcast.com and it was back in September of last year. If you're curious to hear more of my thoughts on how to activate your equity in your home without selling, or if you do want to sell, like how to make that decision. That was on September 18th, Episode 1097. I might go back and listen to that myself, so I can have a better night sleep in the future.

[ASK FARNOOSH]

[00:07:51]

FT: All right. Let's hit the mailbag. Morgan is writing in and she is 25 years old. She just quit her job in New York and is moving down south to pursue a career with a real estate developer to eventually become one. Her boyfriend also plans to come down as they been together for seven years. She asks,

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M: "Any advice on how to set us up for financial success, since we will both be living together? Any advice on budgeting, how to handle groceries, and expenses and how much of our income should we be putting away into savings or travel accounts? I have a 401(k) and he will be setting one up as well."

[00:08:31]

FT: All right, Morgan. Well, congrats. This is a huge transition for you and it really speaks to a larger movement right now of people rethinking their career paths, not just changing locations but changing careers, changing jobs. Congrats to you and wishing you all the luck and how great that your boyfriend is on board and he's also to come down. Now, my advice, before you move, before the moving trucks arrive to your house to take your furniture down to the south, before you get on that plane or however you're planning on getting there, have a conversation or multiple conversations with your boyfriend about your expenses, but even more than your expenses, your financial goals together. You're going to go down there, what is the plan?

I'm a planner. Planning is very important to setting yourself up for success financially, knowing ahead of time what things are going to cost, how you plan to divide and conquer and what is your financial roadmap. You're going to get this job with this real estate developer. I assume as soon as you get down there, your paycheck is going to start kicking in. What about him? Is he can have a lapse were he's not making income? Do you need to discuss about like sort of short-term versus long-term? Like in the short-term, when we get down there, maybe there's going to be an income gap, maybe I'm even going to be making money and you're not. These are the things you have to sort of play out, play out the scenarios. But our bills are going to come to you, so we're still going to have to pay rent, and feed ourselves and pay for our utilities and all of those shared expenses. How are we going to make that work?

This is a question that requires not just tactic and mechanics, but also needs to take into account your feelings, your emotions. Okay. Because now you're in a partnership and what we want to strive for is a equal playing field when it comes to money in the relationship. That doesn't mean that each of you is making the same amount of money. It does not even mean that you're both contributing equally to all of the things. What it does mean is that you are in agreement on what you want to share in, what are the expenses that you want to share in, understanding that there has to be a budget, and it's not necessarily the budget on which each one of you has been living on, but your combined feasible budget.

If you're making $3,000 a month, and he's making $6,000, then your combined budget is, up to $9,000 a month. I'm being very general here, because obviously, I haven't accounted for things like taxes and student loans or whatever else you might have going on behind the scenes. But your combined incomes will now more or less dictate what you're combined spending can be. But it also has to take into account your goals, like what are your goals, where do you want to be this time next year. This time next year, do you want to plan a wedding? Do you want to buy a home? Do you want to get a dog? What is going to happen on that front? How are you going to get there? How are you going to stay for that?

I'm speaking from the point of view of a woman who is very adamant about having her own financial autonomy in a relationship. I believe in working. I believe in making my own money. I believe in contributing and I want a partner who also believes in that for himself. I understand that they're going to be moments perhaps in our lives together were one of us isn't working, or we choose not to work, or we're out of work. I get that. Fundamentally, I strive for dual income. I strive for each of us having our own income streams. That's us. You're asking me, I'm giving you my perspective, and I do wish this for everybody. I really do. This may sound radical, but I feel like if you're listening to this podcast long enough, you get it and maybe you don't totally agree, but you know where it's coming from. It's coming entirely from a place of wanting just the best for everybody.

I do believe that the best in relationship, there's many factors, there are many variables to what makes a relationship successful, but money is a leading cause of divorce. If we can strive for, give each person in the relationship some financial independence as well as feeling financially combined and joined, I think that's an ideal place to be. Totally getting that doesn't work for everybody, but back to answering your question. When I talk about being an equal financial player, I mean that each person is contributing in such a way where they feel like an equally valued member of the financial relationship that you have together. In our relationship, it's no secret. I make more than my husband. I've written about it. I pay for a lot of the day-to-day expenses, the big-ticket stuff, like our property taxes and childcare.

My husband makes less, but that doesn't mean that he has to be a less significant player in the relationship when it comes to contributing financially. He makes an income, a good income. He provided health insurance for our family, he saves towards the children's college funds, he pays for our vacations. He's really more like the saver in the marriage, whereas, I am the spender who's taking care of our spending needs. You have to find your comfort zone together. I talk about this a lot in my book. It's called *When She Makes More.* In the very beginning of that book, I talk about how to divide and conquer your finances in a marriage where there is disparate income. Now, it's called *When She Makes More,* but it can totally apply to a situation where he's making more or if you're in a same-sex relationship and one person's making more than the other and you want to find common ground and a way to feel like you're both winning.

Now, I would also recommend that you get what's called a no-nup. This is a prenup for couples that aren't married, but living together and combining some of their finances are some of their expenses. You're going to move in together, you're buying furniture, who's buying it and who gets to keep it in the event of a breakup. If you break up, will somebody stay in the apartment or will you give up the lease? What's that going to look like? If you get a dog, what's that going to look like in the event of a breakup? If you're married, your state's law dictates a lot of who gets what or you can have a prenup. But when you're dating or you're just in a relationship outside of marriage, the rules are not so concrete. You need to write them down. and I would really recommend this. It's something that you might not consider super romantic, but I think important. This process may also give you some clarity around what you may or may not want to happen financially in the relationship.

Look, if you're both making the same amount of money and you're living within your means, then you just divide everything 50-50, get a joint checking account, pull your money in there, an aspect of your money, not all of it. Keep your own bank account, have him keep his own bank account. From there, you spend on all the necessities. I would keep it to four, five things exclusively. It's very simple to do the accounting and to track that money. This is our joint checking account. We're going to use this for paying rent, for paying our gas, for the car, food, dinners out and other shared expenses.

That was a very long answer to your question, but I think it needed it. This is not a straightforward thing, but I hope that I provide enough takeaways for you to now go back to your partner and sort of having these conversations. If you have more questions, you know where to find me.

All right. Something more straightforward. Joe writes in and he says,

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J: "Hey, Farnoosh. Thanks for all the great insights you're always sharing. I've learned so much and I feel empowered to make financial decisions. What type of insurance should I be getting if I am a young single woman? Do I need life insurance if nobody is dependent on me? What about disability insurance? Finally, will my car insurance cover me if I'm in an accident and become disabled?"

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FT: All right. Let's tackle the first question about life insurance. I would say that if you are single and you are not responsible, financially responsible for anyone in your life, whether that's a child, a parent, a godchild. I don't think you need life insurance yet. Like why? You need life insurance in the event that you have an unexpected death and you need to continue providing for your dependents. You may want to have some savings in the event that, God forbid you do pass away, you want to cover your funeral cost, your burial cost. But sometimes family will pitch in and do that for you, sometimes your employer may already have you on a small plan. A lot of times, when we sign up for benefits at our job, we also sign up for life insurance. It's a very small piece of art paycheck that goes towards this every single paycheck cycle and it isn't going to be sometimes a huge plan, but it maybe frankly enough for these sorts of unexpected expenses. It may not be enough to cover a household and the dependents, so triple check that plan to make sure that you're comfortable with it. But if you're single, you don't have dependents, I wouldn't worry about life insurance yet.

Disability insurance, however, I would look into. This is something that we often underestimate. I've covered disability, I've written about it. The reality is, is that, disability can affect anybody and eventually will probably affect everybody at some point. If you live long enough, you're probably going to get disabled. Disability is a huge category, right? It's not just, I broke my hip. I have a neck injury. It could be mental. It could be depression. You may need to take time off from work at some point beyond what short-term disability may cover, beyond what your employer can give you for paid time off. You would want to be prepared for that. I think that if you are self-employed, this is particularly important, that's why savings is important.

If you have enough in savings, great, but a little bit of disability insurance may not be bad. What it does essentially is it replaces your income for a period of time. Long-term disability insurance is what you want to look into. If you're an entrepreneur, highly recommend it. If you work for a company, ask HR about your disability benefits. If you have to leave work, what will happen? It may sound strange if you're hearing this for the first time, but I am actually more of a proponent of disability insurance over life insurance for those of us who are single and we are not financially responsible for other people, but we're working and we depend on our income.

Now, your last question is, "Will my car insurance cover me if I'm in an accident and become disabled?" I looked into this. Anyone injured in a car accident is probably going to have huge significant medical bills. You might have to take time off of work. If you are injured in an auto accident, your insurance company, your car insurance will only pay for your medical expenses if you have what's called personal injury protection, PIP. Look up your plan, look up your coverage. If you have PIP, then – and a lot of us are automatically included in this. You might have to have opted out for it even to not get it, but PIP covers medical expenses up to a limit for any bills incurred within three years from the date of the accident. Not every insurer will accept the claim though, right? Insurance companies can be pretty tough sometimes, so it may require getting a lawyer to fight for it.

If it was another driver's fault, if you got in an accident and it was somebody else who hit you, their liability insurance coverage, hopefully they have car insurance, but their liability insurance coverage should cover your medical expenses. But again, it's only up to a limit if you want to go out for more money, you'd have to hire an attorney. If the other driver didn't have insurance, I mean, that's a whole other situation. You have to also go after them, maybe go after them personally without a lawyer. But this is why disability insurance is helpful in this case to disability insurance would at least replace some of your income. It won't pay for your medical bills, but it might replace some of your income that's lost, because you cannot work due to a disability. All right?

Another insurance question, Leah writes and says,

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L: "I'm thinking about long-term health care costs. I'm in my mid-30s, but I'm worried about what happens we don't have employer health care and are there options to look at now for the long-term or when do you suggest looking at things like that?"

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FT: Yeah. This speaks a lot to the state of healthcare in this country, where you're in your 30s and you're worried about a day when you might be uninsured, because maybe you're not working. Leah, of course, right now, if you turn 65, you can start tapping Medicare, which is the federal health insurance plan for people 65 and older. It doesn't cover everything, so some people in their 50s or in their 40s start to pay into what's a long term health care plan. Long-term health care, this is a plan. This is an insurance. A lot of people buy it in their 50s. You're in your, 30s so I'd say too soon, but you can always educate yourself. I do know some people buy it in their 40s. The earlier you buy it, of course, the cheaper it can be on a monthly basis. But you might be paying for it for many years before you start accessing it.

But here's what long-term health insurance is and what it covers. It is insurance that covers a variety of services to meet someone's health or personal care during either a short or long period of time, and it's specifically for those who can no longer live independently and safely by themselves and do certain activities on their own. They're called activities of daily living, ADLs, things like bathing, dressing, grooming, going to the bathroom, eating, moving around, getting out of bed, getting into a chair. If you cannot do these things and not all of them, but I think you have to at least qualify for two of these things that you cannot do on your own. Then you may be able to use your long-term care, your long-term insurance to cover a home health aide, a nurse to come and help you do these things or buy the equipment to help you do these things.

This is something that I'm actually trying to get my parents to buy, because nursing homes can be really expensive. Does health insurance cover that? I have in-law, grandparents that are experiencing this out of pocket, so my guess is no and it's very expensive. This is a sort of thing where, unless you saved a ton of money for your retirement, health insurance and the cost of health care in retirement is a big, big wildcard. I've seen estimates where it could cost a healthy couple a quarter of a million dollars in retirement to just cover like their basic health expenses out-of-pocket stuff. That's with Medicare.

If you're concerned, I would look into long-term care. Of course, if you're ever out of work between now and retirement, there is COBRA, which is the government program allows you to extend your employer's health insurance plan that you are already on for up to a certain period of time. You pay more than what you were paying, you pay your premium, plus your employer's premium, plus processing fee. It's more money, but it something that a lot of people opt into, because it allows them to continue having their doctor and not having any hiccups as far as changing plans during an interim. You can also go on the marketplace and by insurance. You could try **[inaudible 00:24:21]** partners, health insurance plan.

Last but not least, our friend Valerie has a question about 401(k). Here's her situation. Her employer recently switched her 401(k) plan to a different provider. Now, she has an account with the old financial institution with a zero-dollar balance. She says,

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V: “I think everything is fine, but I don’t like to have empty accounts hanging around in my name. There has been no indication that my account is closed officially. Do you think they clear out the roles so to speak on there end or should I take any actions?”

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FT: All right. This actually happened to me not exactly, but I just opened up a 401(k) at Red Ventures, my employer. It’s through Fidelity. I went on the Fidelity website. I put in my Social Security and they’re like, “Oh! We already have your name in our system.” It’s because when I used to work back in like the early 2000s at Time Warner, which was New York One and the street.com, both of those companies used Fidelity. I have technically a record at Fidelity, zero dollars in the balance as I asked. I was kind of hoping there’d be some money in there, but there was nothing in there. I talked to somebody on the phone, they acknowledge that those accounts had been deactivated, but my name was still in their system and he was able to help me open up the new account with my new employer at Fidelity.

Now, you bring this up and I’m starting to wonder maybe it wouldn’t be a bad idea to get an email or an official letter from your previous 401(k) provider. Just saying that your account has been closed and in the event of, let’s say a security breach, your information will not be able to be accessed. That’s the only thing now that I’m thinking of. They did have my Social Security number somehow in their records like they were able to identify me by my Social Security number. Well, I wasn’t working with them any anymore, any longer up until just a day ago where I went in and I started this new 401(k). But they had this old record of me and I wonder if they ever get breached, if they ever get hacked. Well, am I going to be potentially victimized?

In that event, what are they going to do about that? Bring it up to them with that from that perspective. I wonder if maybe like, “Oh! Yeah, there is an extra step we can take to completely vanish you from our system” or having them at least send you a letter saying you have been deleted from our system in the event of a breach, you might feel a little bit better about that.” Then if they don’t do what they say they were going to do, but you’ve got the letter, maybe that’s something to use in your defense down the road. If your account gets hacked or whatever, that would – I would think make them a little bit or a lot liable.

Anyway, I love when my listeners give me something to think about, now I have another nightmare to have tonight, right? I got to go call Fidelity. Thank you, Valerie. I really appreciate that question and I think you're okay. I'm optimistic. I think you're going to be okay, but of course, my motto is, live a healthy state of panic. Call them up, get them to write you something, to the effect to like your account is not going to be compromised. We don't keep Social Security numbers in our system for clients that are no longer working with us. That would be a nice courtesy letter. I might do that on Monday.

Thanks everybody for your questions. Next week, we're going to be playing the best hits, the best of so money from 2021 so far. These were the shows that have performed best throughout the year. We're going to be playing some reruns, but the goodies, I promise. Thanks for tuning in and I hope your weekend is so money.

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