**EPISODE 1266**

[INTRODUCTION]

**ANNOUNCER:** You're listening to Money with award-winning money guru, Farnoosh Torabi. Each day, you get a 30-minute dose of financial inspiration from the world's top business minds, authors, influencers, and from Farnoosh herself. Looking for ways to save on gas or double your double coupons? Sorry, you're in the wrong place. Seeking profound ways to live a richer, happier life? Welcome to Money.

**[00:00:31]**

**FT:** It's Ask Farnoosh Friday, everybody. Welcome. Thank you for joining me. I'm your host, Farnoosh Torabi. We are going to be tackling your biggest money questions today on the show, questions about the best books on the market for the basics of personal finance; how an older woman post-divorce may want to go about hiring a financial advisor, or does she really need one? What are the questions you should be asking yourself at this stage in her life? How a teenager can begin investing, and much more.

First, I wanted you to be the first to know, breaking news here, that I have something very special that I am going to be sharing with the world very soon. It's actually available for pre order right now. Drumroll, please. It is the So Money 2022 Page a Day Calendar. You may be familiar with this type of calendar. It's the sort that you put on your desktop, in your kitchen, you give it away as a stocking stuffer. They do page a day calendars for things like, cats and travel, cartoons, Bible verses. Now, adding to the collection is the So Money page a day calendar, where it's a year of managing your money, your life and your dreams.

I have to say, this was not something that was on my bucket list, or my to-do list. It was this time last year, or even sooner, when the fine people at Workman Publishing reached out to me and said, "Would you be interested in turning So Money into a calendar of sorts?" I was like, "No." Then, we kept talking, and it's a real thing now. I'm holding it in my hand. It's something that I think could be really fun to give away as gifts, gag gifts around the holidays to family. A way for us to also have something that we can hold, that actually has the words So Money on it, because for seven years now, this has been a complete audio experience. Now, it is a daily calendar experience, at least starting in 2022.

You can pre-order this, and I have a special code. It's called somoney. Use the code somoney to preorder this on workman.com. Okay, go to workman.com. Search for the So Money page day calendar while you're there in the search menu, and you can preorder it. It's 15.99 US dollars. With the code somoney, you'll get 20% off. It's going to ship next week. If you order it today, it's going to ship on around October 19th. I'd love for you to have one and I'm going to probably give away some over the next couple of months. If you want to wait for that, that's fine too. If you'd like to get a head start on those talking stuffers, or those Hanukkah gifts, workman.com, code somoney. Look for the So Money page today calendar. I'm so excited.

All right, as promised, I'm going to pick not one, but two reviewers from iTunes this week. Last week, we picked zero reviewers, because we didn't have any new ones and I wanted to wait and encourage you to send in your thoughts before picking a reviewer. I said, if a lot of you leave reviews, I will pick two to make up for last week, and we made it. First up, first winner is Tanya, who left a review saying, thanks from a fellow Gen X'er.

Tanya says, "Thank you, Farnoosh, for your generosity and sharing all that you do in the podcast. Your thoughtful approach to answering questions from listeners, the stories you share about your own life, your detailed interviews of your guests and of course, the financial education you provide are all things that I benefit from, that I've benefited from and enjoyed for several years now."

Tanya, a shout out to you. Thank you so much. A longtime listener. Please get in touch. You can email me, farnoosh@somoneypodcast.com, or direct messaged me on Instagram @farnooshtorabi and let me know you left this review. I will follow up with a link where you can pick a time for us to chat.

Similarly, Awesome Aunt Kari left a review saying, "Five-stars, wide variety of financial topics." Aunt Kari. I believe, it's Aunt Kari. I can't read any more. Has anyone else's eyesight diminishing as they age? Aunt Kari says, "I just had to write review this week after listening to Mercii Thomas bravely discuss how domestic and financial abuse affected her. Thank you for bringing such an important topic to everyone's attention. I wish I would have known the signs for my own sister over 20 years ago. Your podcast dives into so many different topics. I love it. Thanks for all you do.”

Aunt Kari, thank you for listening and for bringing up that episode. It was actually a replay. I wanted to re-air that very important conversation that we first had in May with Mercii Thomas, talking about how she escaped her abusive partner and how she's doing now. Her advice for anybody else who's in a relationship, where they feel stuck, trapped, abused. This month is actually, Domestic Violence Awareness Month. I thought, “Okay, important to re-air that episode, if you missed it, or if you wanted to re-hear it.” I really encourage you to go back and check that out. Thank you to Mercii for being so brave, for coming on our show. Aunt Kari, same as I said to Tanya, get in touch. Let me know you left the review and we will connect.

Speaking of domestic abuse, that's a weird transition. I am watching this series on Netflix right now. It's a limited series. I think, it's just nine or 10 episodes, called Maid. Anybody else watching Maid? It's based on the book by Stephanie Land, a memoir of hers, where she talks about her years, leaving an abusive partner, raising their daughter on her own and navigating the system in this country, the welfare system to provide for herself and her child, working as a maid.

I didn't read the book, but I think I will go back. The series is unbelievably well done. The first few episodes, I feel like they stayed with me throughout the days, and I would immediately go after watching an episode at night and sneak into my daughter's bed and give her a big hug and just stay there for the rest of the night. Because it really does make you appreciate what you have. Not just the money that you have, but the support system that you have, because what I'm learning as I'm watching this series is that poverty has many levels.

For this protagonist, I guess, Stephanie in real life and in the show, she's called, her name is Alex, she has no one to trust. Nobody to call and really trust when she is in a situation, whether that's she needs a place to stay overnight, because she has been kicked out of her apartment, or she has no money. It is so sad. It is so haunting. It's important, I think, for all of us to see this and to read this as a reminder of not just the broken system that is our country's social services, but what it really truly means to have wealth.

It's not just money in your bank account, but it's having resources, it's having your health, it's having your family close by, a family that you can rely on and all these things. I'm almost to the end. I actually was way too late this week watching it. I'm at the point where she's hit rock bottom again. I know things will work out, but I wanted to share that with you, I think. This is incredibly important television. To me, I'm not watching is Squid Game. I think, I'm the only one who's not watching Squid Game and I'm okay with that. I just can't. I read the reviews. I read what it's about. I'm like, "Absolutely not." I am no good for this kind of show, and I'm okay with that.

You should say no too, if you want. I said that recently on Instagram and definitely hit a nerve. People were thankful that I said that out loud, because it is everywhere. You feel like you can't escape a conversation without your friend, or someone in a Zoom telling you, "Oh, are you watching Squid Game? You should totally watch Squid Game." No, that is a complete sentence.

All right, let's hit the mailbag, shall we? First, our friend Shelby writes in and she says, "Hey, Farnoosh. I love your podcast. Thank you for sharing your wisdom with your listeners. I have to ask, as an artist with a masters, money tends to be demonized and therefore, completely mysterious. I am fortunate to have financial stability for my family, but I am a beginner when it comes to investing and saving. I don't even know what IRA stands for. Is there a book for financial basics, or accounting basics for someone like me that seriously needs the elementary level entry point?"

Yes, Shelby. Absolutely, so many great books. The fact that you're listening to this podcast proves to me that you have the ambition to be able to breeze through these books and start applying the advice right away. Firstly, I've written a couple books. My very first book, *You're So Money,* you can tell where the name of this podcast came from, was out back in 2008. Long time ago, I've got a lot of other recommendations that are more recent, but as we know, a lot of the base financial advice doesn't change. IRAs, or IRAs, or IRAs, whether you're talking about 2008, or today, the only thing that changes is your contribution limit.

By the way, IRA stands for Individual Retirement Account. You knew that. I think you're being modest. I'm just throwing that out there. I think, maybe more than you claim, and that might be something to work on, too. That sometimes we tell ourselves, we don't know things, or we're overwhelmed, or something sounds too complicated. Really, it's maybe because we were not raised in an environment where that was familiar to you. If you were raised in a household that talked about sports all the time, you would probably be able to watch a football game in your 20s, and understand how it gets scored.

I in my 40s still did not know these things. I feel it's completely bizarre, and I'm like, "Why would they score it like that?" Just like, I don't even watch. I'm a woman who went to Penn State. You think she might have picked it up over the years, but I just like to host the parties now. I like the gathering aspect of football parties.

All this to say that maybe you should be giving yourself a little bit more credit than you are, but let's keep going. There's my book. Then, I would also recommend Ramit Sethi's book called, *I Will Teach You to Be Rich*, which came out around the same time my book did. Then he did at the 10-year mark, an update on the book. I believe it was last year, or the year before that. It has been on the New York Times bestseller list many times. Ramit, who's also been on this show multiple times, I love all his work and his book is excellent. Goes through all the basics, through the lens of a son of immigrants, which has an extra sauciness to it. I like him for that as well.

Also, Erin Lowry, who is the creator of *The Broke Millennial* series. So she started with a blog, then it became a book, and then it became a series of books. Her very first book called *Broke Millennial* kicked off a series of books, where then she dove into more specific verticals, like *Broke Millennial Takes on Investing*, then her last one was about relationships and how to manage money in relationships, whether that's friendship, or a partnership. Then, most recently, Tiffany Aliche wrote this incredible book called *Get Good with Money.* I think, it hit the New York Times bestseller list 10 weeks in a row. She has sold nearly a 100,000 copies. It's called Get Good with Money. Tiffany also goes by the name The Budgetnista. She's been on this show multiple times. She's a big deal.

Those four books, I say start there. There are so many books, and I think more to come, because the personal finance advice landscape is expanding, if you haven't noticed, to include many more types of people and voices. I would love to see a major book hit the New York Times bestseller list written by a Latina. There are many very popular Latina financial experts, who are talking about important things, like investing and early retirement, starting a business. They need books. They need also big platforms. I hope that the publishing industry gives them to them.

Sure you can self-publish, but nothing like getting that Simon and Schuster deal, right? Or having your book show up at the airports, or Target, which a lot of times, independently, is very hard to do. Major publishers give you distribution. A note to publishers, publish more diverse authors. We need all of the voices from the Latin X community, from the LGBTQ community, from that perspective of somebody who might be disabled, who grew up disabled and had to navigate his or her finances. I mean, so many ways to talk about money, through the lenses of all of these people, these communities of people that experience life differently. When you experience life differently, you experience money differently. That's my TED Talk.

Shelby, thank you so much for writing. This question, although it may seem really simple to search for an answer, I love that you came to me for the recommendations. That's what I'm here for.

Veronica wants to know how to help out her mother-in-law. Here's what she says. “Hey, Farnoosh. Big fan here. I'm trying to help my mother-in-law with her divorce outcome and planning her retirement with her potential proceeds. She's in her late 60s, working part-time and has about $50,000 in retirement savings. She started withdrawing from her social security a few years ago, against better advice. With all luck, she will finalize her divorce within a few weeks and maybe be expecting to receive one or more properties and a large sum of shared financial assets from her ex-husband.”

“My spouse and I believe this is the largest sum of financial resources that she will have for the rest of her life. We want her to preserve it and grow it. Are there organizations, or types of financial planners that you would recommend to help with planning for an older, nearly retired woman with limited retirement savings?”

All right, thank you so much, Veronica, for your question. Looks like, on the other side of this divorce, could be some more financial resources for your mother-in-law, which is great, but I understand that you want to make sure that she's managing this all to the best of her ability. The fact that she's continuing to work, I like hearing that. I like hearing that she's got income coming in, that she doesn't have to exclusively tap these savings and social security to make ends meet.

I would say, I'm not a financial planner. But if she was my mother, I would say, try to live as much as you can off of your earnings from your job and social security and try not to use the savings, that $50,000 for as long as possible. Try to ride out the job and the social security income for as long as possible. Now, there are certified financial professionals that specialize in helping people following a divorce. There's actually a divorce financial analyst designation that some CFPs have, in addition to the CFP. They have this, what's called DFA, Divorce Financial Analyst Designation. They're not specifically helping older Americans, but you can imagine, most people getting divorced are in their 40s and 50s and above.

Within that subgroup of analysts, you might find somebody that works more with people of an older age. I don't have a website, or an organization to recommend that serves all the needs that your mother-in-law has. I would say, starting with someone who has that additional certification designation, or divorce financial analyst is heading her in the right direction. She can also ask other friends, other divorced friends, who they may have worked with. Her attorney, who's helping her with her divorce proceedings, I'm sure, has some financial analyst friends, or some accounting friends.

Because it comes from the recommendation of her attorney, this is someone who may be able to work with her attorney to fill in some blanks about the divorce to help them better guide her towards smart money moves. Wherever she lands with this financial planner, if she ends up working with a financial planner, see if she can have the planner create a fee structure, where she's not, I repeat, not paying a percentage of her investments over to this planner. Less of what she needs is someone to make sure that her portfolio is allocated properly. That's important, but that's not where I think this advisor is going to be most valuable to her.

Instead, it is somebody who spends a few hours a week, a month with her to map out a solid plan for things like savings, maybe getting her long-term care insurance, maybe even talking about a reverse mortgage, which I'll get to in a minute. Really walking her through how to optimize her next 20, 30 years financially, given with what she have and what she may be receiving from this divorce proceeding, to ensure that she's taken care of and can be self-sufficient, helping her outline a budget, walking her through her Medicare options, if she's not already on Medicare.

In doing so, charging a fee, like an hourly rate, or a monthly retainer. Not a percentage of her underlying assets, which is what a lot of financial planners charge. They'll say, “Oh, we charge 1% of your $100,000 that we're managing.” You're not looking for a portfolio manager. You're looking for someone to help your mother in law understand what her options are, fill in holes, maybe create a financial plan, and for that, it's a one-time fee, or maybe it's a recurring retainer. It has an end date, because what you don't want is that this person just starts working with your mother into eternity, which we know it's hard to break out with financial planners, who are on that financial system with us.

Now, back to what I was saying in terms of things to look out for, things to ask a planner, or whoever is going to be advising her regarding her finances. Number one, should I buy long-term care insurance? She's in her late 60s. Typically, women are best buying long term care insurance in their late 50s, early 60s. It's often cheaper then, because they're in a healthier place. Then, you're also paying into it for a little bit longer, until you might need it.

Long-term care insurance is the insurance that kicks in when you can no longer take care of yourself in some capacity. You can't walk on your own. You can't drive on your own. You can't feed yourself on your own. There's a list of specific things. If you can't do at least two out of these, I think seven or nine things, then you can qualify for the benefits of the long-term care insurance that you are paying into.

A majority of retirees, as they age, will need assistance in these areas. Unless, you have robust savings, long-term care insurance can be a financial lifesaver. I don't think her $50,000 is going to be enough for her to pay for her long-term care. Long-term care can be hundreds of thousands of dollars. Looking into that now would be one of my top three things to look into. I would also, if she's getting property, receiving at least one or two properties, looking into a reverse mortgage benefit might be something that would interest her.

A reverse mortgage is basically, a mortgage loan that is often secured by residential property. It gives the borrower, in this case, your mother-in-law, access to the value of the property today. It's a loan. If she doesn't pay it back before she passes, the bank takes the money. But that might be okay, because none of her children want the home. They'd rather mom get the benefit of the value of the home today. In most cases, when you get a reverse mortgage, there's no monthly payment required. You get the cash, you start using it or not. Maybe that's where the financial planner comes in and says, "Hey, if you're going to get a $100,000 or $500,000, this is a last resort thing that we're going to tap." This could be her form of long-term care insurance, if she don't want to be paying into it.

Maybe a reverse mortgage is what she gets, instead of long-term care. If long-term care is way too expensive, maybe this is what she gets. Write this down. This is the stuff that I would expect. A really good financial planner that understands your mother-in-law's life stage would be looking into for her. It's so great that she has you and her son, looking over her and looking out for her best interest. Thank you so much for your question.

All right. Rubina writes in. "Farnoosh, love your podcast. We've been hearing about possible student loan forgiveness with Biden as President. Would you recommend paying off student loans quickly, or holding off in hopes that there is going to be some loan forgiveness?"

Rubina, I love this question. It is not what you might expect to hear from a financial expert, but I'm going to tell you this. Don't go crazy paying down this student loan. Anyone listening who has a student loan, and on top of the student loan, you've got bills to pay, you still have that emergency account to fill, you haven't started investing yet. This is lowest to lowest to lowest on your to-do list. I'm not saying don't pay the loan. No, no, no. I'm saying, just pay the minimum and not a penny more. Instead, allocate every other dollar that you have towards higher needs, that I consider higher needs, things like, your savings bucket, your investing bucket, your high-interest credit card debt. This is, like you said, the thing that is in limbo.

We don't know what is going to be the fate of our student loans. Some people already are seeing forgiveness. I do think that more forgiveness is in our future. I don't have a crystal ball, but I do think that this is the last area, as far as all my financial responsibilities and debts and requirements that I'm going to be paying attention to if I were you. Student loans, I don't think ever took top precedence when it came to our financial responsibilities, unless they carried really nasty interest rates. As far as debt goes, student loans tend to carry lower interest rates, which doesn't make them as immediately urgent to pay down as say, a credit card debt, or a tax bill even. If you haven't already saved enough, where if you didn't have any income for six months, you could afford to live, I would focus on that. If you haven't started investing, or haven't invested enough, I would fill that hole first before paying down this credit card debt aggressively. Pay the minimum, that's it.

Next step is Jody, who is looking to help her daughter, her teen daughter start her own investment account. Her daughter has a part-time job, she says, and she would like to open up an investment account. I know that I would have to be the custodian, but I'm wondering if you have more advice on this. I love when a teen is telling you, “I want to start investing.” Follow her lead and help her out. Help a teen out. Get a head start on building wealth.

There are a couple of ways you can approach this, given that your teen isn’t 18 yet, you can either open up a custodial account, the Uniform Gift to Minors Act. UGMA. And the Uniform Transfer to Minors Act, UTMA. Both accounts, they give parents the ability to save and invest in their children's name, in their child's name. It works very much like a brokerage account that you would open up for yourself, and there are no contribution limits, which is great. You can buy and sell investments, you can open up ETFs, mutual funds, you can buy shares of Apple if you wanted.

When your child is no longer a minor, which is again, dependent on the state; could be 18, it could be 21, it could be 16, they get full control of the account. The only thing I would caveat with this is that if your child is completely irresponsible and you are legitimately worried that they're going to get a hold of this account and blow it on needless things, then I would hesitate.

Very important that when you're doing this, you bring in and loop in your kid and you're like, “This is what we're doing for you. This is a real luxury. We want you to take advantage of this. Here's what we recommend. Here is how we would like for you to take this on, and so on and so forth.” So that they know this is not just free money, and then they can just go and buy shiny objects with it.

Have a goal in mind when you open this up. Is this is going to help you with some of your college related costs? Or is this is going to help you get your first apartment when you're out of college? Or is this is going to help you – Later on in life, you don't even know when, but just don't touch it. They're called UGMA and UTMA accounts. Separately, there is a custodial IRA track that you can go on. This is designed just like any IRA. It's for retirement. Again, it's custodial, so you as the parent would run it and manage it with your daughter's earned income. She can invest in this IRA. All of the assets are being managed by you, until again, your child turns 18, or 21, or whatever it is, depending on the state.

Can be a traditional IRA, or a Roth IRA. I would recommend the Roth IRA, because your daughter, whatever she's earning right now, I'm sure she's in a very low tax bracket. She's going to get taxed on it today, versus later on in life when she's making more money and taking this money out and getting a higher tax bill. Then, the only other difference between this and the other custodial account that I previously mentioned, the UGMA, or the UTMA, is that there is a cap on how much you can contribute every year.

For 2021, the total contributions that you can make to all of your IRAs, Roth or traditional, but the combination cannot be more than $6,000. If you're 50 or over, it's $7,000, but for everybody else, it's $6,000. You could do both. You could get her a general custodial account that has no contribution limits, as well as an IRA that's designed for her retirement that she won't touch until much later in life.

All right. Well, thank you so much for your question, Jody, Rubena, Veronica Shelby. If you're looking for something to do this weekend, two things; you can go to workman.com and buy the So Money page a day calendar. Use the code somoney for 20% off, and check out Maid. I'd love to hear what you think of it. Thanks for gathering with me here. I hope your weekend is so money.

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