

EPISODE 1293

[INTRODUCTION]

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FT: Hey, everybody. Welcome back to So Money. It is December 17, 2021. I'm your host, Farnoosh Torabi and you're joining us here for our Friday Ask Farnoosh, where I go through the mailbag and now, also the text messages to answer your straight up money questions. Yes, I do have a phone number now that you can text and send me your money questions on the go. You can do it right now as you're listening to the podcast. That number is 415-942-5002. That's how you can text me directly. If you've got a money question, a feta recipe, you want to get in touch, you just want to say hi, text me.

As we're close to the end of the year, and by the way, this is going to be my last live recording. New recording for 2021. The next couple of weeks as we head into the holidays and the New Year weekend, we're going to replay some of the best hits from the year. Time to go back in time and give some of the episodes from earlier in the year the ones that really hit a chord with the audience some extra love, so stay tuned for that. But today is my final recording before the new year begins, my final fresh recording. I want to send this off with some reflections.

I wrote a recent piece. It's on CNET right now, cnet.com/somoney. You can go to cnet.com/somoney now. That's a thing, where you can find all of my content for CNET. I thought it would be a nice time to reflect on the year and everything that has happened in relation to our finances, how we think about money. I came up with six money lessons that 2021 either reinforced or brought to the forefront. There are probably many more, and I'd love to hear from you as far as the year has really influenced your financial roadmap, the way that you think about money. Personally, in 2021, I find myself doing some surprising things. I started a new job, which we all know about, as editor at large of CNET Money. I kind of exited from, a little bit, exited a little bit from the entrepreneurial world and went back into a corporate setting, a media platform to build out the future of money for the CNET audience. Very exciting.

I also shopped for flood insurance. I haven't gotten it yet, but seriously, it's on my to-do list. As many of my neighbors in New Jersey experienced massive floods in August with Hurricane Ida. We were fortunate we were not damaged that much. We had a little bit of flooding. But of course, as Oprah says, you get hit with a pebble before the avalanche. We're looking for flood insurance and I didn't even know you could get flood insurance without being in a flood zone. We're not technically in a flood zone, maybe we should be. But you can still apply and qualify for flood insurance. We're looking for that.

Some of you may know and I'm going to go into some details about this now. I bought a cryptocurrency related investment. It's not Bitcoin, it's not an NFT. I'll tell you in a second. But these are things I never thought I would do, but 2021 kind of made me do it. Here's the thing, the fundamentals of managing your money well, which is what – living below your means, saving for a rainy day, planning for your future. All of that still valid, proven through many generations and markets to be good advice to follow. But every year, there's always something new that drops or many things new that drop that provide us with new perspectives, a new prism through which to look at our money. And 2021 proved no difference.

Going through some of these lessons, okay. Number one, a paycheck is not always worth it. You may be sitting here listening to this podcast, having changed jobs this year, or you recently quit, or you're thinking about quitting, you're not alone. This year, a record number of people stood up for their health, their wellbeing, they quit their jobs in a movement called, *The Great Resignation*. If you could recall, we did a whole series on the great resignation on So Money back in August. Go back and listen to my conversations with a couple of people who quit their jobs and why. We spoke with Dan Schawbel, who's a best-selling author and managing partner of Workplace Intelligence. He offered some insight as to why people are quitting and how employers are reacting.

Long story short, 2021, definitely a theme in the workplace was quitting. What did that teach us? That a paycheck isn't always worth it. That the stress and poor working conditions of a job aren't worth it. This year, and then also starting in 2020, right, we started to really feel the ramifications of that. People started to get burnt out, depression, anxiety. And of course, we were working under extremely difficult circumstances as these were not normal years in terms of how we work. But it was a lightbulb moment for many of us to realize that we'd been ignoring the signs

or we had been putting a putting aside the ambition to shift careers, change jobs, find a new employer. This was the year that we just said, “You know what? That’s it. We’re done.”

I think that’s healthy. I think it’s healthy to tune in to how you’re feeling and make healthy decisions as a result. Quitting is not losing; quitting is not a sign of failure as we also learned this year. It’s actually a step in the right direction for many people. For me, look, I didn’t quit my career, but I did make a very important decision to move in house and work for a company again. I think for me, I think 2021 was an inflection point. I realized I want to work with a team again. I’ve been bottled up at home for far too long. I want to make more of an impact, as the pandemic has really exacerbated wealth gaps and opportunity gaps. To do it alone as a solopreneur, I have limitations, right? Joining with a company like CNET that is so well respected, has so many resources and is so aligned from a values perspective. With me, it felt like a really important next step and so, here I am.

Lesson number two. Meme stocks are not for investors. They’re for gamblers. I couldn’t believe this was something that happened this year. It felt like it was so far in the past. But remember the GameStop short squeeze. We actually talked about it on this show early in the year. We had Hans Boateng on, Dr. Hans, who’s the investing tutor to break it all down for us. But meme stocks became a thing this year. It was that phenomenon where investors would rally on social media, Twitter, Reddit and drive up a stock’s value. It happened with GameStop. It happened with AMC theater. Meme stocks become a thing on social media, their stock could pop in the market temporarily and it’s not based on any fundamentals other than just this group of people thinking, “Hey! Wouldn’t it be cool to do this, to buy this stock and see it go up? And oh, we’re so powerful.”

It sent the wrong message, I think to a lot of novice investors, who then would turn to places like Robin Hood to get in on this game, and think that they could get rich quick. The media covered it. It grew into this hot story, and it was just annoying. Like really, people let’s relax, calm down. This is not how to build wealth. It was just a reminder that the whole thing for me just reinforced the importance of being a long-term investor, funding your 401(k), getting a diverse portfolio together, low-fey funds. It’s not as thrilling perhaps, but it is the more time-tested approach.

Cryptocurrency also made a lot of headlines this year, and we know why, because it just is not going away. It's becoming increasingly more mainstream, but it's not for everyone that I was reconvinced of this year as far as investing in cryptocurrency. It's not for everyone. But I will say this, it's worth learning about. It's worth learning about. It's worth a download. We did a series on cryptocurrency back in August. Four episodes dedicated to the basics. What is it? What are the implications? Should you invest? How to invest? This year was the first year I got thinking, you know what, I've been a little or a lot close minded. I need to learn more about this to have an ability to explain this to my seven-year-old." Not really, but you know what I mean, have a working language around this, a working knowledge around this.

I walked away from that series of episodes the week that we did this back in August, crypto week. Well, I'm still not convinced that I want to invest in the Bitcoins of the world. I am actually fascinated by blockchain. It's the decentralized virtual ledger that records crypto transactions, but so much more. The applications of blockchain are really widespread. I do see a future where blockchain becomes a bigger part of our world. I looked into how to invest in this and I found an ETF that is actively managed, so it's a little bit more expensive than a traditional ETF, but it's BLOC, and it tracks companies focusing on blockchain technology. That was my in. That was the way that I'm participating in this cryptocurrency, crypto market.

Don't be swayed to buy it because someone on TikTok told you it's cool. Just do you. Do your research and figure out you're in if you want to. Also, this year, we learned unfortunately, the hard way that securing our financial data has never been more important. I almost fell for a scam, a bank scam via text. It prompted me to write about it. And then you look at the entire marketplace for fraud, and \$720 billion worth of identity theft expected by the end of this year. That's according to the Insurance Information Institute. That is just losses from identity theft. That doesn't count all of the ransomware scams that we have seen in the news, and just one happened recently this month. But remember, there was that massive ransomware scam earlier this summer, that shut down this oil pipeline company and raise the price of gas. And they wanted Bitcoin in exchange. Ransomware payments came to about \$600 million in the first six months of this year.

All this to say, update your passwords, never reply to random texts or emails, asking for your information, avoid browsing on public Wi-Fi. If you do think you've been a victim of a scam or a

data breach, sign up for a temporary credit freeze to protect your identity. Also, this year, we're going down the list. Climate change should be a part of everyone's financial plan. If you've been listening to the show, if you've been following me on CNET, my coverage there, you know, this had to be part of the list. But this year really reinforced that the cost of climate change weighs heavily on our finances, whether that's the fire storms, the droughts, the floods. We're all coming face to face with the economic repercussions of climate change this year, more than ever, it seemed.

For us, we started looking into flood insurance. Never in my life, and I've been a homeowner for all my adult years pretty much. Never had to look into this and now I am. It's not because I'm in a flood zone, but it's because I see the handwriting on the wall. We had a little bit of flooding in our basement in August, neighbors had what much worse. I'm not waiting for FEMA to figure out that I'm in a flood zone. It's here and I need the insurance. Of course, at CNET Money, we had a very comprehensive series in November exploring the impact of the climate change on financial issues. Whether that's home buying, retirement investing, spending, saving. It was the first series of its kind, but it will not be the last. I encourage you to go back to cnet.com and look up the cost of climate change.

Last, speaking of climate change. ESG investing, which we have talked about on this show. That stands for environmental, social and governance investing. This, mark my words, is going to become the number one preference for investors in future years. It already is seeing a huge shift where Georgia Lee Hussey who comes on the show regularly. She runs Modernist Financial in Portland, Oregon. She says there's a huge uptick in the number of people who are interested in this type of investing. Not just because they see it as a principled way to invest, but they're now seeing evidence that it is profitable. As profitable, if not more profitable than your current investment strategy that is tracking just the broad market or what have you.

This is good news. I think that the big brokerages, the smaller brokerages, everyone, they're creating better, easier access points to tap into this market. Now, what we still need is oversight. We still need a governing body to verify these investments as truly being and truly qualifying as ESG. What about you? What were some of the money lessons that the year taught you, some events that really made you stop and think about how you are either approaching money, managing your money, let me know.

Let's go to the iTunes review section and pick our reviewer of the week. This person will receive a free 15-minute money session with me. This week, it's Alijcia. J is silent, I think. Alijcia121 who left review earlier this month. "So helpful and so refreshing" she calls the podcast. "Farnoosh," she says, "I love your podcast. Thank you for the great content and meaningful conversations that you inspire. Your candor is so refreshing and your wisdom is so helpful." Alijcia, would love to get in touch with you. Let's book it in the new year. How about that? Get you on the right start with your finances in 2022. We'd love to hear from you and say thanks for this kind, kind review. If you want me to hang out with you in the new year, by the way, there's another way to do it. You can buy the So Money Page-A-Day calendar. I've been promoting this offer. It's only valid until the end of the year. If you buy 25 or more calendars, and by the way, you'll get a nice 50% off bulk discount if you decide to do this. You just have to get in touch with me. Let me know you want to do this and I will hook you up 50% off if you buy 25 or more calendars for your office, for your family, for your friends, whoever you want to give it to. If you just want to like decorate your office with it, that's cool, too.

But as a thank you, I will meet up with you virtually and anyone else that you want to invite for a 20-minute, 15-, 20-minute money session. We can answer questions. I can come prepared with a theme. I can do a dance, whatever, whatever you want. Okay. But this is my way of trying to encourage you to get this calendar, because I think it'll be really handy in the new year. By the way, this is the first time since I launched this podcast that I've created anything really tangible from the show. The show is free, it's every other day, it's consistent. You can listen to it, but there isn't really anything that you can hold in your hand, that you can give as a gift that you can embrace physically to show your love for the show.

Anyway, I'm getting weird. If you want to buy the calendar, just email me, farnoosh@somoneypodcast.com or direct message me on Instagram. That is if you want to buy it in bulk, because then you have to go through workman.com. I will hook you up, 50% off. Otherwise, you can just go to Barnes & Noble, your local bookstore, the mall kiosk, workman.com, Amazon, wherever you want. Get this calendar, it will be a wise investment, a wise investment for the new year.

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[ASK FARNOOSH]

FT: Okay, let's hit the mailbag, shall we? First up is our friend who is going to remain anonymous, and she has a question about moving her family to Portugal and it's happening this month. Wondering how moving abroad might affect my credit score. She has an 805-credit score at the moment. She's thinking maybe she'll move back to the US in a year or two and wondering how to keep her credit score in good standing. She says,

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ANONYMOUS: "We're going to keep our US and European bank accounts. And obviously, most of our spending will be happening in our new country of residence with credit and debit cards. Any insights on this? Curious how others have handled this concern?"

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FT: First of all, my friend, I want to be you. I really want to move to Portugal. Putting that out there out loud. I want to move abroad for a couple of years. I think it would be nice to take a break from what's happening here in the United States, and I can still be part of the solution, helping people with their money, helping people make good decisions. But given the choice living here, or maybe moving somewhere a little bit more remote, away from the tension, the drama, the political drama. Yeah, Portugal sounds great.

You may or may not know this, but we had on the show a couple who moved to Portugal last year. Amon and Christina Browning, they are the founders of Our Rich Journey. It's a popular blog and a YouTube channel. About a year ago, the two of them moved to Portugal, they moved themselves and their two daughters to Portugal. They've actually documented their trip and they are teaching people now how to follow in their footsteps. I would bet they would have a lot of advice for you around how to maintain good credit.

My thoughts on this not having done this myself moving to a foreign country and having to worry about my credit score is this. That when you move, your credit score will continue to be

evaluated based on your credit history, your payments, all of that. If the credit cards that you'll be using in Portugal are the same as the ones you'll be using in the States, if it's allowed, right? I mean, most credit cards you can use internationally. I'm not sure what the fees are. But it may make more sense to open up domestic credit cards while you're in Portugal. But if you do end up still using your other credit cards, your current credit cards, I should say from the US in Portugal and abroad, those payments do get reported to the credit reporting agencies. If they just remain dormant, you want to make sure that they don't get shut down. That's the one thing. I would call up your credit card companies, let them know you're planning this move and to say, "Hey! I'm going to start using this credit card possibly in the new year abroad, it's me." It's always good just to tell your credit card issuer that you're traveling, so they don't think that every purchase is necessarily suspicious and they could inadvertently freeze or block your account.

Just go to check in with your credit card issuers. Let them know you're moving for an extended period of time. You may want to just to keep those accounts active and in good standing, assign some bill to that credit card or to those credit cards that gets automatically covered. It could be something that you're still affording here in the States, or something that you don't mind paying for while living abroad with those US domestic credit cards. I think if your score is really good now, nothing should really hurt it, unless your credit cards somehow get shut off, because they're not being used. That's my instinct.

To avoid that, you want to keep them somewhat active, or just let the credit card companies know that you're going abroad and you might be on a hiatus from using these cards. But unless you start using them, and racking up debt and not paying your bills on time, whether you're living in Portugal, or Africa, or America, all of that will hurt your credit score. It doesn't matter where you're living. So just as long as there's good activity being associated with your credit cards that you opened up in America, that's what you need to keep in mind. That's what you need to do.

But for sure, check out Our Rich Journey. They're on Instagram, Amon and Christina Browning. They're so inspirational. I'm going to probably download their course just to know, just to have at the ready. It's a process obviously. With COVID, it was really hard to get the proper visas in place. They got in right before COVID, so they got really lucky in those regards. But going

forward, there might be a future where more of us could move abroad for an extended period without being citizens if you're into that.

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FT: All right, let's help out Anthony, who has a question related to his partner, and their money. So he says,

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A: "My partner is a successful business owner. He's also four years older than me. He feels responsible to guide me financially as I'm not financially free like him. He also says he was my exact age when he started his business, and was also in the same financial situation I'm currently in. He teaches me a lot about stocks, 401(k)s, credit cards, high yield savings and I appreciate it. He even got me to listen to your podcast. However, I fear that he's going to see me as his student or as a mentor, should he continue guiding me. He always tells me he wishes he had someone like him at my age to guide him. Any thoughts? Should I set financial boundaries?"

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FT: Anthony, my friend Anthony. First of all, so cool that the two of you are listening to this podcast. Tell your partner, I'm so honored and thankful that he listens and that he encouraged you to listen. I don't see a problem with this relationship dynamic. I think it's actually quite beautiful that he is so invested in your success. But I get where you're feeling maybe a little uncomfortable or uncertain about where this could go, where this could lead you. You don't want to ever feel like you're being parented right by him or controlled by him. But unless you're seeing signs of that, unless you're seeing signs that would imply that there's something else going on, that there's maybe a control issue going on, I would worry. But I don't see that. I don't hear that from what you're telling me.

I hear just a loving, supportive partner wanting to show you the way and teaching you a lot of the basics and some of the tricks that he has benefited from. He's right, he probably would have

been better off had he known someone like himself four years ago. We all don't have that luxury, that privilege. Leverage your partner, thank him every chance you get, be proud of yourself too for listening and for being such a good student. Remember, relationship is give and take. He's teaching you about money. What are you teaching him? I'm sure, equally amazing things.

As long as we think of this as a partnership, and by the way, your growth is your partnership's, growth. His growth is your partnership's growth. This is a win-win for the two of you. I don't see, I don't hear red flags. But if there's more to this, that you want to talk about, let me know. You always want to maintain financial autonomy in your relationship. Making sure that you have and you feel like you have access to your money at all times, that your decisions are not being compromised, that you're not being pressured into anything. Those would be red flags for me, but I don't hear that from your feedback. I just see a loving guy by your side, and that's great. Thank you to the two of you for being a part of this show and good luck. Happy New Year.

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FT: Okay. Next, Alicia is questioning her home renovation, financing. So she says,

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A: "Hey, Farnoosh. I'm stressed out about home renovations. I've been putting them off for 10 years now. We've put them off because of other priorities, but I'm realizing that I'm really unhappy with the state of our home. We need to renovate the main bathroom, the kitchen and family room. We currently owe \$200,000 on our house at 2%, a 15-year term. Its estimated value is \$575,000. So well over \$375,000 in equity. We make a total of about \$175,000 a year, net and we have to upgrade one of our cars soon as well. My dilemma is this, to pay for this renovation, should I wipe out my cash savings or refinance my house, get a cash out, even though any interest rate will be slightly higher? Or do I do a home equity loan?"

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FT: All right. Definitely not option A. Definitely don't want to wipe out those savings. Before we get to how you're going to pay for this, though, I really want you to look into the cost and

prioritize this renovation. Maybe you don't do it all in one year. Maybe you space it out so that you can afford this in stages. Okay? So maybe you decide that your kitchen is really the area in the home that needs immediate attention, and you want to get some estimates. How much will new cabinets cost? How much will new tabletops cost? What will the contractor cost? What will be the timeline? How often will you have to pay the contractor? Is it something that you can pay monthly? What's the upfront cost?

Get a really good handle on what this will cost you and do it project by project. Because what may end up happening is that you can take a little bit out of savings, but then also cashflow it with your paycheck. That could happen, right? If you look at your budget and you say, "Okay. We got to figure out a way to come up with a few \$1,000 a month or \$10,000 right away, followed by a few \$1,000 a month until this kitchen is done." You could put it on a credit card if you know you're going to pay it off every month in full. First step here is figuring out what is the cost of just one project, and maybe going from there, and realizing you don't have to take out loans for this. Maybe this is something that you can take out of your cash flow.

But if you decide you want to take out a loan, this is where you're going to have to compare the math. What will be the interest rate on the new mortgage after you do a cash out refinance? Right now, rates are a little bit over 3%, maybe a little bit less if you have great credit. This will mean a higher monthly home mortgage. Is that better than what you could get in the HELOC market if you take out a portion of your equity, and that becomes essentially a line of credit with an established interest rate? Usually, HELOC interest rates are higher than mortgage interest rates. Depending on which direction you go, I would base it on the interest rate and how this may shift your liquidity, your financial liquidity. If you're shelling out more every month towards the mortgage because you refinanced versus shelling out more for the HELOC. Where are you shelling out more? Is the HELOC more expensive on a monthly basis or is the new mortgage going to be more expensive?

But again, going to go back to my first rule, which is figuring out the costs. You might do this in a few ways. You could take out a HELOC, maybe a \$50,000 HELOC. You could take out and \$1,000 in savings, and then you could cashflow the rest. Maybe you can pay for this in multiple ways. I definitely wouldn't wipe out savings. I would compare the interest rates on the new mortgage versus the HELOC, and also think about readjusting the budget to shore up more

cash on a monthly basis to pay for these projects with cash. And maybe spacing out the projects is the way to go, so you give yourself breathing room and a chance to recover financially before you tackle the next home project. But I get it, we all want our homes in better shape now because that's where we're hanging out all the time. I get it.

That is our show. Our last fresh show for 2021. It's been a year and I just want to take a second and thank you all for gathering with me here and with all of our guests. We are entering the seventh year of this podcast. Launched it in 2015. Lucky seven in 2022. Much more to come. Stay tuned for the next two weeks if you're interested in going down memory lane and maybe even catching up if you haven't really listened to everything this year. I'm going to replay some of my favorites, shows that really, I felt made an impact. Wishing everybody here listening a healthy, a relaxing holiday. I'll see you back here in the New Year. I hope your holiday is so money.

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