EPISODE 1302

[INTRO]

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FT: Welcome to So Money, everyone. How's everyone doing? It's Farnoosh and it's Friday. I started this week, I don't like to make New Year's resolutions, but I made a resolution. I said I just want to make it to the weekend because this week was just too much, right? I think we all just needed an extra week of just being at home, not having to check email, not really having to be accountable. I know that's hard when you're a parent. But at least on top of parenting, there shouldn't be work this week. So, for me, it was just like I have to just ease into the week. It didn't go very well.

On Wednesday, all of us, all members of my family overslept. I was the first one to wake up. Well, I think I was the first one to wake up. I woke up at 8:30, ladies and gentlemen, 8:30. Okay, so just to put that in context. When you have my situation going on with the kids and school buses and two different schools and a seven-year-old and a four-year-old, 8:30 waking up, it's okay if it's Saturday. You're on vacation maybe. Not when you have to get dressed, fed, and out the door to catch your bus by 8:15. So that was an interesting morning. My son had to do a walk of shame from his dad's car to the classroom. I asked him, "Were there other kids that were late that morning because there was an ice storm? They expected delays they said." He's like, "No, I was the only one, and I blamed you both." There you go.

If you're feeling not so great this week, if you're feeling like you just need another week, I am with you. I haven't gotten COVID yet. I'm wondering when that's going to happen too. We all got exposed over the Christmas holiday. For some reason, somehow, none of us got it. We isolated. I don't know. It's just we tested because I didn't trust that I didn't have it. I was like, "Well, I just might not be symptomatic." But, no, we didn't have it. I guess we're extremely lucky. But I saw a tweet the other day that was like, "I haven't gotten COVID yet. Now, I'm wondering what is wrong with me because I feel like everyone we know has COVID. I'm feeling a little left out." No, I'm kidding. I don't want it. Please, no.

It's nice to be back here with you, a live, fresh episode of Ask Farnoosh. Over the last two weeks, this week excluded, we ran reruns, replays of some of my favorite hits from the year, including favorite Ask Farnooshes. I hope you got to tune into those and catch up maybe, as we are now on episode 1302. Did you catch that in the intro? 1302 and the show, in fact, turns seven years old next week, lucky seven. Make sure to stick around next week. I'll be announcing chances for free prizes, all in celebration of this podcast.

This morning, depending on when you're listening to this podcast, if you're an early riser, make sure to catch me on Live with Kelly and Ryan today. We actually pre-recorded it on Wednesday because even those folks don't want to work on a Friday. I was there discussing my top tips for ’22, how to manage your money for a better 2022. It's actually an article that I wrote for CNET Money. I talked about why I think this is the year to prioritize your high interest credit card debt.

Last year, I had a different tune. I thought, well, even if you've got crazy debt, if you don't have savings, prioritize your savings because life was a lot more uncertain back then. There was the recession. There was obviously the thick of the pandemic going on. From 2020 on, I was like, “Prioritize your savings. Prioritize your rainy day account. Pay the minimums on your loans and your credit cards, until you feel like you have an ample cushion.” That was last year. This year, we know interest rates are on the rise. If you have variable rate loans or credit cards, you really want to focus on paying those down. Maybe this isn't the year to wipe them out completely, but you are putting down more than the minimum.

We talked about inflation. What's that going to mean for our budgets? We talked about some new IRS rules, which I know sounds so exciting. But it, in fact, is good news for 401(k) investors. This year, you can increase your 401(k) contributions. The IRS is giving us an extra $1,000 to contribute in 2022. That is tax-deductible, so that brings it up to a match minimum contribution of $20,500. Yeah, I talked about all the sexy stuff on Live with Kelly and Ryan. They love having me on. Right before I came on. It was Ana Gasteyer, comedian Ana Gasteyer. So me being there, I felt good that I was able to bring an enormous amount of levity and much needed humor to the show.

If you missed this week's episodes, please go back and check them out. They were very on brand, on theme for how I'm feeling in the beginning of 2022. The first on Monday, Caroline

Dooner, our guest, she's the bestselling author of *The F*ck It Diet*, and the crazy popular blog. She has a new book now though called *Tired as F*ck*. It's all about burnout at the hands of diet, self-help, and hustle culture, and how we can instead rest our way to a more prosperous year and life. Then on Wednesday, Grace Bonney came on the show. She is creator of Design*Sponge, which she no longer runs. But she's also a New York Times bestselling author. Her first book, *In the Company of Women*, a beautiful photographed book. It's a book that's actually just sitting on my coffee table right now, and it features over 100 women, artists, chefs, entrepreneurs, who have all faced adversity and how they overcame adversity. Her latest book is called *Collective Wisdom* from trailblazing women over 50. She interviews everyone from an Olympic athlete to NASA team member, to award winning artists, filmmakers. On the show, Grace shares those takeaways, those insights, predictions that these women have about our world. Are they hopeful for how things are going to be when they are no longer here? Are they going to leave the world a better place interesting conversation with Grace Bonney?

If you are subscribing to my newsletter, you may have noticed that the new one that came out this week, I believe it went out yesterday, has a new look and feel because it's being delivered to us via CNET. I just wanted to share that with you. I'm going to make this a very consistent newsletter, weekly at least. You can subscribe to the So Money newsletter. I'll have the link on the So Money podcast website. I'll share it on Instagram. But if you've got a pen, it's a little bit of a doozy of a website. But here we go. It's cnet.com/feature/signup-so-money, cnet.com/feature/signup-so-money. There you'll get a weekly email with all the latest features videos and podcasts from my desk.

We're going to get to our reviewer of the week in just a second. But did you know you can also text me? Yep, yes, you can text me at 415-942-5002, 415-942-5002, and you'll get signed up to receive So Money many updates, random musings all on the go. You can also text me back questions for these episodes, these Friday Ask Farnoosh episodes. So if you want to hang out with me on the phone, that's also an option, all about becoming more accessible to you in 2022.

All right, we had some fabulous reviews over the holiday. I want to give a shout out to MListens, who left a review on Christmas, how sweet, where she says, “Love, love listening to the So Money podcast.” She says, “This is my favorite show. Great advice, actionable information, and smart. Thank you, Farnoosh.” Also, guess who received the So Money Page-A-Day Calendar from Santa? I did. I can't wait for January 1 and 2 and 3 and 4 and so on and so on. Well, thank you so much, MListens. As my thank you to you, please get in touch. I want to give you a free money session with me, one-on-one.

This is something that I'm going to continue in the New Year, as I have for many, many, many months now. I thought I was just going to do this for like a couple weeks and I love it so much. I love talking to listeners on the phone, one-on-one every week. To qualify for an opportunity to chat with me, you just have to leave a review. Then I read a review off pretty much every Friday. Some Fridays I skip it because whether we're running a rerun or I just didn't get many new reviews, most Fridays I will give some love to a reviewer. You can email me, MListens, farnoosh@somoneypodcast.com. Let me know you left the review. You can also just send me a direct message on Instagram. I check it pretty often. Let me know that you are the MListens that left the review on Christmas. Looking forward to connecting.

All right, let's head over to the mailbag, questions about credit cards, where to invest, where to save, cosigning a loan with a parent, worrying did I do the wrong thing, and also listeners wondering, do I need a CFP, that’s certified financial planner, to become a financial journalist? I'm going to answer that one first. That's from JWG, and she writes on Instagram, “Hey, Farnoosh. I love your podcast so much. It has helped me immensely with my finances. My question is do you need to be a CFP to become a financial journalist. I'm a content strategist at an investment company, but I'm interested in pivoting to help out younger women with their finances, what I wish I had. But I wasn't sure if I should look into taking the Series 7 and the 65 exams.”

All right, the answer to this is no, and I'm living proof of that. You do not need an MBA or a Series 7 or any sort of certification to be a financial journalist. I'm not saying those are bad things to have. I once considered getting my CFP. I think I was pregnant with my first kid. To be honest, I had a little imposter syndrome. Even though I had been a financial journalist for many years up until that point, I started to wonder about my future and the longevity of my career and what if this journalism stuff doesn't work out. Now, I'm going to be a parent and I have all these people to take care of. If I become a CFP, become an actual financial planner, not only will that up my credibility as a journalist. But if all else fails, I could actually be a planner and work with clients.

Listen, it's a lot of work. I didn't end up finishing the program, here I still am. I do know I have good friends. Bobbi Rebell, for example, who's the host of How to be a Financial Grownup podcast. She has her CFP, and I think it's really served her. But it just depends on what you want to do. Do you want to work with clients one-on-one? Do you want to tell clients how to invest their money, where to invest their money, because in those cases, you will need certain certifications? You notice, I don't recommend ever on this podcast specific financial investments. I won't ever say buy this stock. I might tell you what I'm doing but I won't tell someone directly, “You need to buy this stock or you need to buy this mutual fund.” I'm not really allowed to say stuff like that because I don't have the certifications. It has not been a hindrance for me.

I think you have a lot going for you and a lot of qualifications for becoming a financial journalist. One is you are interested. Do you know how hard it is for people to be interested enough to pursue financial journalism? Maybe more now than I when I started out. When I started out, certainly it was like, “Really, you're going to do that. You don't want to be a journalist and cover fashion or politics or lifestyle, more exciting things, and you want to follow the money.” I said, “Yeah. That, to me, is everything.” So having this curiosity, this desire, I think you have it, and that is foundational.

You work in financial services. You're going to come to this with a lot of perspective, insights. You're a female with your own life experiences. These days, with so much financial information out there, that people who want to get help pursue and follow the experts who resemble them in some ways, where they can see themselves represented in that person, whether it's because of that person's life experiences, their gender, their race, their lifestyle. All of that is unique and important, and I think you should play that up. If you listen to this podcast, you know many people I've had on the show and even just recently.

Jannese Torres-Rodriguez, for example, she's the host of Yo Quiero Dinero podcast. She arrived on the scene not too long ago with her own financial narrative and story. She doesn't have a financial degree, but she's smart and she's got advice and she's super cool. She has attracted a lot of people to her platform, specifically Latinas, and I am rooting for her. I love following her. So short answer, no, you don't need these fancy degrees or certifications, unless you have other goals, unless maybe on the side too you want to work one-on-one with clients.

Another thing I'll say about a CFP is that you have to continue maintaining it. You have to keep updating that certification. To do that, you need to have certain hours every year that you are working with clients. Me not be interested in that one-on-one business, I just wanted it for my ego. Let's be honest, and that's not enough, right? I mean, you can get it, but then you might lose it because you're not actually practicing in the way that someone with a CFP normally would have to to keep up that certification.

I'm bullish on the future of financial journalism. I think that there are many opportunities for people who want to pursue this type of work. We need to be following the money, now more than ever, and all these changes happening in the financial world from the advancement of cryptocurrency. All of that is going to make for a very interesting landscape, lots to uncover. So I very much encourage you to pursue this.

Okay, next up is our friend Consuelo in California, and here's her question. “Farnoosh, I just bought a house in California and I spent most of my savings in remodeling the kitchen. And now, I need to start bulking up again my emergency fund. I have $9,000 invested in bonds and $1,000 in my bank savings account. Where would you recommend I put my emergency fund? Should I invest or just have it in my bank’s savings account? I have a very stable job that I love. So hopefully, I won't need the emergency fund anytime soon. I'm in my 30s, I make $140,000 a year, and my husband makes about half of that. We have two kids.”

All right, Consuelo, thanks so much for your question. I don't think that your emergency fund should be anywhere but a liquid savings account, a high-yield savings account online. When you have your money in bonds, that limits the liquidity, right? That limits your accessibility to that. Bonds typically have a term, a year, two years, three years. What if you need the money tomorrow and the bond hasn't matured? You might lose the interest. You might have to pay a penalty, depending on the agreement with that bond. So for your personal savings account, your emergency fund, I would, as I've been saying all these years, put that in an FDIC-insured bank somewhere that you can access in a pinch. You can either go to an ATM and take the money out or transfer the money the same day or within a day to wherever you need to transfer it to, even if you have a stable job.

This is a public service announcement to everybody. The job market is strong. There are many people who have left their jobs, which means there are a lot of job openings. Unemployment rate's pretty good. Even if we lost our jobs, we could probably find one relatively quickly. Your emergency fund is not just there to help you in case you lose your job. It's there in case you want to leave your job on your own voluntarily because you're done, and you want to transition to something different, and you need to cover that transition. It may become necessary. You might have to break open glass because you have an unexpected expense, a medical bill, car-related repair, a home repair. By the way, inflation is making it harder to budget. Everything from food to gas to household items, those prices are going up. So you may need to spend more this year to just cover, to just get everything you've been getting. That may mean taking a little bit from the emergency account to pad the budget. So, no, I would not invest this. I would not put this in bonds. I would just save it in a bank account.

I want to head over to my phone. We got a text from a listener, from Sharon, who says, "I kind of got overloaded on the credit cards. As I've paid them off, I have canceled them, and now I only have two cards. I took the balance on one, which had an APR of almost 26%, and I moved it to a personal loan, which has an interest rate of just 12%. Now, I'm wondering if I did the right thing by opening a personal loan. I have a good credit score, 826. I just want to try to get out of debt. Did I do the right thing?"

So I actually responded to Sharon via text, as soon as I got this question, and I said, short answer, "You're fine. But listen to Friday's show, and I'll elaborate." What I want to add to my answer, Sharon, is that, first, I think you did the right thing. Mathematically speaking, you did the right thing. You took a balance that was experiencing a very high interest rate, 26%, and moved it to a personal loan of less than half that interest rate. So you're going to pocket some nice money on that interest alone.

The thing I would just be careful about is not having any more credit cards. Did you close all of these cards entirely? If you did, you can't go back in time. But going forward, I would not close any other credit cards that you may have open. You can pay them off, but leave one open or two open. You still can use a credit card. It can still be helpful to you in the future, once you get into the habit of being able to pay things off on time every month in full. But your credit score, since you mentioned you're concerned about your credit score, takes into account a range of credit that you have in your portfolio, right? Now, you've got this loan, which is good. But revolving debt, credit cards are what your credit score really care about. They want to make sure that you're in the habit of paying off debt regularly, and a credit card is sort of the best measure of that because bills come due every month.

So having a credit card, even if you don't want to use it, I would say attach a bill to it, maybe a utility bill, something recurring that you know you have to pay off every month. It's not a big amount, and you can just attach it to a credit card, and keep that credit card “active.” If any of your credit cards fall dormant or idle, sometimes the credit card issuers shut it off themselves. I think it is healthy to have a credit card or two on file. Credit scores like to see a variety of credit and they, again, like to see that you're using credit cards responsibly.

Okay, next question is from Marites. I apologize if I'm pronouncing your name incorrectly M-A-R-I-T-E-S. The question is a good one. Here it goes. “I recently cosign with my dad on my parents' refinanced mortgage. My dad was forced into retirement due to the impacts of COVID-19 on his employer. And while my parents' fixed income should cover their reduced mortgage and other expenses, they needed me to cosign to secure the lowest rate. I was hesitant to cosign because of my own aspirations to buy a house in the next two to three years. But ultimately, I agreed because I wanted to help. My worries still remain around the impacts of having their mortgage on my credit report and reflecting in my debt-to-income ratio when the time comes for my fiancé and I to buy a house. So my question is what can we do now or when we're ready to apply for our own mortgage to put ourselves in the best financial position, especially in the eyes of a lender?”

This is a really, really good question, Marites, and I love that you're forward thinking. I also love that you're helping out your parents. I hope they appreciate your commitment, your support. You're right that this loan is going to go on your credit balance, that even though you're not paying the mortgage, that your parents are taking this on, as far as a lender is concerned, you're still technically on the loan as a cosigner, and that debt is technically yours. They don't care how it gets paid. Their concern is that, of course, if you're going to take out a mortgage with them, that having this other loan balance could stretch you. So what you need to do is just anticipate the lenders' concerns. The lenders are going to want to know that you have plenty in the bank, and you have plenty coming in as income to pay not only this mortgage that your parents have, in case they default or in case they can't pay their mortgage, as well as this new mortgage that you want to take out.

This may mean that you have to look at different kinds of homes. If you're looking in certain price ranges, will your DTI affect your chances of getting a mortgage for the kind of home that you're hoping to get for the sale price of a home that you're hoping to get? I will say this that when a bank deems you as riskier than average because you have, let's say, outstanding debts, you have cosigned loans, maybe your credit score is not that great or where they'd like it to be, there are levers that you can pull. One lever could be to just show that you have ample, ample savings. I've got a year's worth of savings, right? That's helpful for the bank to see. Also helpful is if you are willing to put more skin in the game. If you're asking the bank for 80% financing, and they're looking at your financials and they're like, “Oh, I don't know. I mean, she's got this loan with her parents. And even though she's got a steady job, and they have savings and good credit score, we're worried that this additional loan is going to increase her debt-to-income ratio.” You say, “Okay, bank. How about if I just ask for 70% financing? I'll put more down.”

I had a conversation like this with our own mortgage broker when we were in the midst of applying for the mortgage for our current home. It was in the pandemic. I own a business, and the money was trickling in at that point because some of my clients had disappeared expectedly so. I said to my broker, I said, “Look, let's say I'm too risky of an applicant.” Even though we have savings and my husband's got a job, we have good credit scores, all of it, I said to him, “I guess I could always put down more money.” He said, “Exactly, exactly. The more that you're willing to put down, the less worried, understandably, the lender becomes. They're worried about their investment in you. So to show that you are willing to put down more, I think it can be comforting to them. Don't offer this right away. Have this in your back pocket.

Additionally, you might want to get a letter from your parents’, I don't know, accountant, whoever does their taxes, even if you want to hire a tax person for this particular job, and I'll tell you what the job is, to assess your parents’ financials to write a letter saying, “I believe this family has the financial capacity to pay their mortgage on their own based on the fixed income that they have.” This is the same reason banks want to get a letter from your employer, right? The employer says, “I vouch for this person. They are in good standing at our company. They've been employed for three years. This is how much they make." You just want sort of a third-party expert or a third party to backup what you're trying to prove.

So think about that. Is there somebody in your family or a friend that you know who is a certified public accountant, who can just take a look at your parents' tax returns, look at their financials, and feel comfortable writing a letter when you need it that says, "I represent this family. I looked at their financials. As far as their ability to pay their mortgage on their own as the primary borrowers, they're good." Although you are a cosigner, there is no anticipation that you will need to step in to help pay for the mortgage. I mean, that's an extra letter that I think isn't also bad to have in your arsenal when you go to apply for the mortgage. So those two things, be prepared to maybe put down more money and secondly have a letter that explains that your parents' finances are in good standing. Have this be written by a certified public accountant and talk to the bank ahead of time before you apply. Be upfront. Don't have them discover this midway through, and it kind of throws a wrench. It stalls the process. Tell them upfront, "These are my cards. This is what I'm dealing with. What do you think?" The right bank is out there for you. Just because one bank says no doesn't mean another bank is going to say no. Keep at it. Start with maybe your local credit union. Sometimes, they have more flexibility.

Okay, next is Deanna, and Deanna says, "Hey, Farnoosh, Happy Christmas Eve eve." I guess catching up here with the questions. "I just wanted to let you know that I just switched jobs." Oh, this is not a question. This is just a happy note. She says, "I switched jobs. And after listening to all your podcasts for the last year, I knew I needed to negotiate my starting salary. I was so nervous but I knew I needed to do it for myself and for the women after me, and I got it. As they say, the squeaky wheel gets the oil. Your podcasts have been an inspiration the past year. In 2021, I cleared $8,000 worth of debt and made my goal of saving $20,000. Thanks for all the hard work you put into your podcasts. They are so impactful."

Wow. Thank you, Deanna, and I have a special episode for you and anybody else listening who wants to make more money this year. We have Alex Carter back on the podcast next week. Alexandra Carter. If you recall, she was on the show a couple of years ago with her book *Ask for More,* all about how to negotiate. Right now with the great resignation, employers scrambling to find good talent, how does this put us, you, in a really good place to ask for what you want? More pay, more benefits, all of it. She's going to give us the play by play. That's next week. So in the meantime, Deanna, thank you so much. By the way, she lives in Ireland. Deanna, my goodness, that is the best. I just love knowing that this podcast has reached your airwaves all the way from Ireland, Deanna. Thank you. Happy Christmas. Well, Happy New Year now. Thanks for listening and keep the questions coming.

That is our show. We made it to the weekend, everybody. Congratulations. It's all about the small wins sometimes. Back here on Monday, celebrating birthday week for So Money. Make sure to stay tuned. Some fun announcements. Great guests. As I mentioned, Alexandra Carter and also my pal, Joe Saul-Sehy, who's the host of Stacking Benjamins. He's got a new book that he has coauthored. It's called *Stacked.* It's a fun conversation, as always, with Joe. Thanks for tuning in, and I hope your weekend is So Money.

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