EPISODE 1305

[INTRO]

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FT: Welcome to So Money, everybody. Friday, January 14th, happy birthday to this podcast. So Money turns seven, lucky seven today. 20 million downloads since we launched in January of 2015, serving over 145 countries. This is one of my longest commitments ever. I've been married going on 10 years. So this is like the second longest thing I've ever committed to. Just like marriage, with every year comes new lessons learned.

Earlier this week, I was mentioning how when I first launched the show, which was an idea that came to me in the months after having my first child, my son, who was born in June, I went to a work event, the FinCon event, as some of you may have heard of. It's this gathering of financial bloggers and writers. Now, it's expanded to include influencers, finfluencers, all of us. I noticed there was a tiny cohort of men who had successful financial podcasts, and I latched on to those conversations. I became sort of this fly on the wall and learned a lot of their secrets to launching a financial podcast, which podcasts at the time, while not completely a new concept, they were – It was still a burgeoning space and still even. I mean, there's not that many podcasts compared to blogs and videos on YouTube. But at the time, podcasting was pretty nascent.

However, it was in phase two, right? Remember those of us who had iPods. Remember iPods? You could download a podcast to your iPod from iTunes before maybe heading on your commute. We were not streaming audio at the time, but it was something that was accessible to people. It didn't catch on. It wasn't very easy to do. This was like the second generation of podcasters at this FinCon conference, and I discovered this this should be the thing that I do. This is going to be my next act, coming out of the haze, the fog of post-partum. As a way to reclaim my place in the world of scattered and crowded space of personal finance, I was going to going to launch a podcast.

The point of this story was to tell you all the mistakes. So in the beginning, I launched seven podcasts a week, including Saturdays and Sundays. As I like to say, failure happens. But better to fail fast, and I failed very fast in those first few months, forgetting to hit record until the very end of an interview and then a tail between my legs having to ask a guest to come back or re-record there in real time. They were always gracious, and I want to just give a thank you to all my early guests who were so patient with me with all of the technical weirdness that happened. I listened back to some of those early interviews, and I also recognize in myself just how frightened I was a lot of the time. You can tell from the volume of my voice. I tend to speak louder or softer, depending on what's happening inside. But I had some really big guests in those early years. To speak to some big names like Tony Robbins, Barbara Corcoran, Robert Kiyosaki, Seth Godin, for 30 minutes, 40 minutes, one on one, that's a long time. That's not like what I was used to where I would go in and maybe get a sound bite or a 10-minute interview.

I really had to bring a lot of research, my A game, my preparedness to the recordings. It didn't always happen. I learned how to systematize the podcast, how to know what the essentials were to bring to every interview. Number one, your listening skills because you can have all the questions written down beforehand. But if a guest starts saying things that you're not prepared for, or the conversation goes in an area that just is a little bit more interesting, you better go with that. You need to go with that. You need to be listening for those cues. I like to think that over the years that has been something that I have gotten better at. It wasn't something I was always good at, and I'm still improving, and I'm proud of where we are now as a partner with CNET. The show has now gone in house, joining forces with the fabulous smart award-winning team at CNET. A lot in store for you this year, and thank you to everybody listening right now and tuning in and especially those of you who have been with me from the start. I know there are many of you out there who have been dedicated since episode one.

Now, as a thank you, because I feel like anniversaries and birthdays, it's important to kind of recognize all of the people that helped you get to where you are. In celebration, I'm going to be giving away some freebies next week to audience members, including additional money sessions. So you can earn a money session by leaving a review on iTunes, which I'm going to pick someone momentarily. But there are going to be more money sessions available next week. Just stick around on my Instagram to learn how to win. I'm also giving away free So Money Page-A-Day Calendars. I know we're midway through January, but we still got most of the year left, so this calendar isn't yet going to become cat litter liner. It is something you can still put proudly on your desk at home, at work.

Also, I'm going to give away free books, my favorite books, books that I'm really excited about like my friend, Terri Trespicio's *Unfollow Your Passion*, Joe Saul-Sehy's new book, *Stacked,* and Paco de Leon, who's coming on the show later this month, who just wrote a great book called *Finance for the People*. So lots in store, lots of giveaways starting next week. Make sure you're subscribed to Farnoosh Torabi on Instagram, where I'm going to be posting about the ways that you can enter to win. I'll also be going live on Instagram next week. So if you've got money questions for me, that's also a great place to show up.

All right, let's head over to the iTunes review section and pick our reviewer of the week. This person will get a free 15-minute money session with me. This week, we are saying thank you to Mamapyjama. I love that. She says, "Love the podcast. I am 50-something but I love how you have advice for all age ranges and especially women and people of color. I've shared this podcast with so many of my friends and colleagues. I gave away nine calendars to my young nieces and girlfriends." Oh, my goodness. Mamapyjama, not only are you a devout listener, but you're also so supportive of my work. Giving away nine calendars, that is incredible. Thank you so much. I so appreciate that and I love seeing the images of your calendars, even sending me a direct message on Instagram. I'm sharing those whenever I can. So if you've got the calendar and you are enjoying it, let me know. Take a picture. I'll post it. Mamapyjama, email me, farnoosh@somoneypodcast.com. Or direct message me on Instagram and let me know you left this review, and I will be in touch with a link where you can select a time for us to discuss whatever you want.

Speaking of the fact that you said you're 50-something but you still liked listening to the show, I have an article coming out on CNET this month. The working title is Gen X I See You: Financial Advice for a Forgotten Generation. So that's going to be my love letter, my financial love letter to those of us who were born in the '70s and the '80s because chances are we do feel overlooked by the financial advice expert world, and the news tends to concentrate mostly on millennials and Gen Z and on the other side of the spectrum retirees. I feel like there's a whole bunch of people in the middle that don't feel like they have a destination to go to to get really good, thoughtful financial advice. I'm going to create an article later this month on CNET, so be sure that you're checking out cnet.com/somoney, cnet.com/somoney for all those content updates.

This week's shows, in case you missed them, be sure to go back and listen to Joe Saul-Sehy from Stacking Benjamins, who I mentioned earlier also has a new book that he co-authored with Emily Guy Birken called *Stacked: Your Super -Guide to Modern Money Management.* That's said with a bit of a wink because it's not super-serious, right? Joe is very funny. He's very light-hearted. I love the book that he and Emily wrote because not only does it go over a lot of the basics and a lot of the practicalities of personal finance, but it does it with great storytelling, liveliness, and humor. Let's be honest, we need all of that when we're trying to get through chapters on things like retirement and insurance. Am I right?

Then on Wednesday, we invited Alexandra Carter back on the show. Alex, she is the author of *Ask for More,* a bestseller that came out in the spring of 2020, now in paperback with some updates. I thought great timing to have Alex back on the show because we're entering a new year. We have this movement called the Great Resignation that's happening, that started last year. It's moving into this year as well. How is that changing the landscape for those of us looking to make more money at work, asking for a raise? How can we leverage this movement of people exiting the workforce to benefit our own bottom lines, to say, "Hey, all my colleagues have left," or, "I'm doing more work, doing multiple jobs this year than I was last year because we're short-staffed," and much, much more with Alex. How to factor in things like inflation in your ask, how to ask for more in a culture now where you're working virtually, and it may not be so simple, easy to share your work, or have your work be recognized.

Speaking of inflation, and it's official, things are way more expensive than they were this time last year, right? I noticed this with shopping online, grocery shopping. Apples, two bucks a pop each. When I was growing up, apples were 10 cents each. Now, they're $2 each, and I know that's 40 years later. But that's a lot, right? Right? I still bought the apples but I'm just saying. Whether it's apples or cars, gas, data released on Wednesday of this week show that inflation for December was up 7%, the highest rates since 1982, and prices have spiked, virtually every major category of consumer spending. Gas is up 50%. Cars are up 38%. Food is up over 6%. Within the food category, there are even higher price hikes like meat and poultry are up 12.5%. If you're going on vacation, hotels and motels are up almost 30%. Rental cars up 36%.

This is funny. I was reading in the Washington Post. Even if you're just sitting at home, you're not going anywhere, it's still costing you more because the cost of electricity is up 6%. 6% more to turn on your lights than it did a year ago. So this will likely lead to a rise in interest rates. It's what happens, economically speaking, when there is inflation. The economists who work at the Federal Reserve, they control the money supply, so they want to raise interest rates so that it slows down spending. There isn't as much demand perhaps for goods, which is partly why prices are going up. That will help to bring down inflation. Increase interest rates encouraging people to save more, spend less, prices come down. This is at least what I learned in economics class at Penn State. It's more complex than that. But simply speaking, that is one of the ways that the Federal Reserve curbs inflation, by raising interest rates. They're going to probably do this multiple times this year. We'll talk later in the show. A person asks about interest rates, specifically with regards to buying a home. What's the advice there? If rates are going up, what should we do?

But I will just end with this that one of the best pieces of advice that I got recently about how to save money in the face of inflation, at least on food items. Let's be honest, groceries are a huge line item in all of our households, especially if you've got kids. So the best advice is to not let anything go to waste. It's not groundbreaking. It's not earth-shattering. You've heard this before. But think about how much food you threw out over the weekend or just last night. Did you finish your plate? Getting more precise about portions, getting more precise about buying exactly what you need and using it up. I will tell you that at the beginning of this pandemic, I stocked up on soups and canned goods that I never used. I think they've actually expired at this point. So that's on me. But I'm being a lot more conscious about portions and making sure that we aren't as wasteful.

For everything else, I love hearing about the Buy Nothing movements. I'm sure some of you are involved in these movements. They're popping up all over the country where you can give, ask, and share your stuff with your community members. You can find pages on Facebook or Nextdoor. It's good for the environment. It's good for our wallets. It's just good all around. Again, this is not a new concept. People have been swapping and giving away free stuff for centuries. But at times like these, when the cost of living exceeds wages and the rate of inflation is increasing higher than average, we see these types of activities increase. I remember in the last Great Recession in 2008, 2009, 2010, it gave birth to companies like Rent the Runway and these luxury designer consignment stores online. People were looking to fulfill their wants but spend a lot less and used or gently used items that sometimes would get a bad rep no longer. I think that has persisted. Now, we're seeing a little bit of a return to that of like swapping, free cycling, buy nothing. It's good. I hope it endures.

All right, let's go to the mailbag and answer your money questions. We have questions about 401(k)s, home buying, thoughts on whether or not someone should become a stay-at-home mom and much more. All right, first up, a very simple straightforward question from Trish on Instagram, who says that she's 45. She just quit her job to go back to school. Get this, her local college has free tuition for those over the age of 25. Can you believe this? Trish, where do you live? I would take classes once I find more time to do that. But that's something I would definitely, definitely leverage. She says, "I'm not taking out any debt to do this and have a good emergency fund in place. I plan on taking the next year off to focus on school and family. What should I do with my 401(k) in the meantime? I'd love to do some socially responsible investing with it. There's currently about $130,000 in my 401(k).

All right, Trish. Well, if you'd like to continue contributing to your 401(k), the only way you can do this now, because you don't work for your company anymore, is you must transfer this 401(k) into a traditional IRA, which you can do at your existing benefits manager. Wherever your 401(k) is parked, whether that's Fidelity, Vanguard, Charles Schwab, you can just speak with them and ask about your transfer options. I would like to open up a traditional IRA. Let's do this direct transfer. Then you can start contributing to your fund. If you'd like to do more socially responsible investing, a lot of these major investment firms that I just mentioned have options. You just let them know that this is a category of investing that you want to integrate into your existing portfolio. Talk to the specialist there. They should be able to guide you. I would encourage you to go back and listen to our cost of climate series that we ran back in November on So Money, where I believe on the final episode of that week, on Friday, we talked about how to invest socially in a socially conscious way. Trish says, "PS, I'm taking business classes, and all the years of listening to you is already helping me get those As." Well, I'm just amazing. Kidding. Trish, congratulations. This sounds so great. What an opportunity. I am truly envious of you.

Question number two is from Marie, and it's about home buying. Here we go. "Farnoosh, I've been listening to your podcast since the beginning." Oh, my goodness. You're an OG, Marie. "Hoping you can give me some thoughts on our home buying plan. My fiancé and I have been saving pretty aggressively over the last few years, with the hope of being financially independent by 45. We maxed out our 401(k)s, contribute additionally to a brokerage account, and we have saved 10% for a down payment on a house. We also have nine months of emergency savings. Our current plan for buying a house is to keep saving until we have a 20% down payment, which is going to take another three years. We recently learned that PMI, private mortgage insurance, is only around 0.6%, a lot lower than we originally thought. Do you have any perspective on whether we should start looking now with our 10% down and paying PMI versus keeping saving? She adds, “Interest rates are expected to go up next year, and I'm confident we could make the payments either way, just not really sure what to do. It hadn't really occurred to us to start looking before hitting 20% down until just recently. Any guidance or resources you can provide would be greatly appreciated.”

All right, Marie, thank you for your question. So I'm sensing that you're looking at where interest rates are probably going to go this year north and wondering whether to pull the trigger sooner than later on home buying, even if it means not having the whole 20% to put down towards the house. Here are my thoughts. Like you, I am not threatened by the cost of private mortgage insurance in this case. .6% is relatively low. Then you say you can make the payment. It would be easy. My bigger concern is that only having 10% equity in your home, as you know, puts you in a bit of a fragile place. Banks know this, which is why they charge private mortgage insurance. This is essentially mortgage to protect the bank in case you can no longer make the mortgage payments. So when you put down less than 20%, banks see that as a riskier move, a higher chance that you might one day foreclose on the house. So PMI is really you're paying it to help them.

By the way, this only becomes a risk if you find yourself needing to sell your home, and you have more debt, meaning you have a bigger mortgage than what you have in equity, which can then lead to a situation where the sale becomes a loss for you. That is something to think about. If you don't see that really being the case, you don't see needing to sell anytime soon, then that may not be as concerning to you. Now, with regards to rising interest rates, I said this on the Live with Kelly and Ryan Show, I mentioned it in my CNET Money article recently on how to manage your money for a successful 2022, it’s true. Interest rates, we know. We've been told. The forecast is strong. They are going to go up in 2022. That means borrowing is going to become more expensive, whether you're taking out a credit card, a home loan, a personal loan, all of that. But it's not going to be overnight. It will be gradual, and the hikes will be incremental.

The Federal Reserve, as far as I've ever lived, has never entered a meeting raising interest rates by like 2%. They do it by .25%. They do it by fractions, fractions of a percent. It's going to be incremental. Don't let this news, this forecast of rising interest rates alarm you into making a knee-jerk decision or a swifter decision over something as astronomical as buying a home. Remember that mortgage rates have averaged about 3% for the past two years. That's incredibly low. That's the lowest I ever witnessed. That's for a 30-year fix. Even if they go up to 4% by the end of this year, that's still so low. It's still so low, and I don't think that it should change your timeline. In three years, interest rates will probably be more than 4%. The trend is north. But on the flip side, the inverse that I've usually witnessed, when interest rates go up, home prices come down. When interest rates go up, demand for mortgages goes down. The demand for homes goes down.

Now, there are far more factors involved that go into the pricing of a home. It's not just interest rates and demand, but it's also supply, and right now we don't have a ton of supply. So I'm just saying that it's very hard to predict what's going to happen in the housing market and how interest rates are going to influence the housing market. It's true. Of course, if you have a higher interest rate on a mortgage, your cost to borrow will go up. But maybe the cost to buy, maybe the sale price of the home will be less in three years, so it kind of evens out. By the way, you can sleep better at night knowing that you have more equity in the home. So don't hit the panic button because you'd see interest rates that are forecasted to go higher. Work on increasing your savings for this down payment.

As I'm sure you've learned in your journey to becoming financially independent by 45, that it takes baby steps. While you have a pretty fast timeline, making financial decisions with haste because of what you're reading in the news, because of what's trending, is never wise. Do what you need to do to secure your finances. Having less equity in my home is scarier to me than paying an extra half a percent or 1% in interest on the mortgage. We know that home prices, while they've been trending north for some time, it's not the only direction they can go. Thank you so much for listening to the show all of these years. I hope to see you on Instagram next week.

Next is an anonymous friend in the audience who is 37. “At long last,” she says, “I am one job away from hitting the six-figure mark for a salary. I currently make 85,000 a year but I think I can hit the 100,000 mark if I were to job hunt. I have also amassed a net worth of $250,000, no debt. Together, these are huge milestones for me.” Well, I'll say so. Quarter of a million dollars by 37, I would give you a big hug if you were here. “The downside,” our audience member says, “I want to now be a stay-at-home mom to my 17-month-old son. It is so hard to drop out of the workforce as it has taken me so long to get to this place of financial security. My husband earns more than I do and says he can support us if I were to make this jump to becoming a stay-at-home mom. I feel like you've discussed this in previous episodes. But now that I'm trying to make this decision for myself, I'm all sorts of confused. Looking forward to any of your thoughts.”

All right, well, I just want to say, first, congratulations on all of your financial accomplishments. Again, like I said, so incredible that by your age you have saved a net worth of $250,000 and that you are close to hitting the six-figure earning mark. I know what it's like to be a mom and have a career and feel like you're at a crossroads. Now, personally, for me, it was never a question. I was always going to work. But I know even with that in mind, becoming a mom, becoming a parent, there are so many emotions, so many feelings in those first few weeks, few months. You definitely feel sad when you leave your child. That is totally normal. So this is an extremely personal choice. But I will say that if you were my best friend and we were talking, I'll be extremely candid with you and I would not encourage you to give up your career.

Not to undermine stay-at-home parents out there. I think that they have incredibly difficult jobs, jobs that we don't appreciate enough. But you have to understand where I'm coming from, right? I'm a woman who is the breadwinner in her marriage. All I've wanted as a kid, two things, financial independence and a driver's license. When I was a kid, I thought, if I have my own money, if I have my own car with gas in it, I can do anything and I can go anywhere on my own terms. Agency is extremely important to me. I grew up not seeing a lot of that represented in the women in my community, and so I became a child who grew up to be a woman who was very hungry for financial independence and also wanted to be a mom. You can do both.

This topic is like a whole podcast on its own. It's a whole show on its own with several episodes. One of my favorite podcasters on this topic is Sara Dean, who launched The Shameless Mom Academy. It's a podcast. It's a whole platform. She tackles this topic a lot. I've actually been on her podcast to talk about my views on stay-at-home parenting. She's been on my show. I'll tell you, you're not going to be able to finish this conversation with somebody without hurt feelings, without someone getting upset. This is, again, so personal. So I'm going to stick to the financials. I'm going to give you some numbers maybe to hold on to and to consider as you make this personal decision.

The first is that in your lifetime, in your career lifetime, when you opt out of the workforce, your average earnings will fall. Sheryl Sandberg wrote in her book, *Lean In*, that women's average annual earnings dropped by 20% if they're out of the workforce for just one year. 30% drop after two or three years, which is the average amount of time that professional women off ramp from the workforce. You don't just lose your salary when you're not working. You also lose the ability to pay into Social Security. You also lose the access to a workplace 401(k) and all that compounding in that 401(k). So there are many financial losses when you become a stay-at-home parent. I'm talking to men. I'm talking to women. So that's one thing.

There are also studies that find that dual-income marriages are more secure. Couples are less likely to split than those in marriages with just one working spouse, according to the book *Getting to 5050: How Working Parents Can Have It All*, and that may be a resource for you. Marriages in which there is a sole breadwinner get divorced at a rate 14% above average. Why is this? The authors of that book say it's got a lot to do with the fact that dual-income marriages have more financial stability. Being a sole breadwinner, a sole breadwinner like you're the – If your husband were to take on the sole job of providing financially for your family, that comes with a lot of stress. If you have a partner who's also working to share the weight of that financial stress, that can lead, the authors argue, to more harmony, more compatibility. Vice versa, if you are the sole caregiver at home full-time, you may find that it's hard to connect with your partner and find common ground and relate to your partner. So it's hard for both partners when you're each doing isolated work and you're not really overlapping, right? You're not really understanding the constraints of working out of the home and vice versa.

Again, some of you could be listening to this and being like, “That's BS. I'm a stay-at-home parent. I wouldn't have it any other way.” So this is not the end all, but I'm just telling you. You asked for resources. You asked for facts, some studies. I'm just sharing this with you so that you can make your decision. You can listen to all of this and at the end of the day still decide that personally it's important for you to stay at home with your child because that is where you source a lot of your sense of self-worth. That's what I want to end on here that the reason that I work, and I've always worked and I have children and I won't stop working, is because I source a tremendous amount of my sense of self-worth feeling like a contributor to not just my family but to society when I work outside the home. Of course, I'm working right now inside the home, but you know what I mean, that I have something else to hang my hat on. In addition to being supermom, I am super career woman Farnoosh.

That’s important to me. Again, it's personal, and I do agree with all of these stats. I do think that – Because I've seen it anecdotally in my life. Other people's marriages falling apart because it's just one person working, and that's a lot to shoulder. Now, that doesn't mean that you can't take time off and then go back into the workforce. A lot of people do that successfully. So my advice, if you were my girlfriend again, if we were sitting around having coffee, I wouldn't say drop out of the workforce entirely. You've already told me that you are a value in the workplace. You're making good money. You've built up all this wealth. You don't stop, don't kill the momentum. Maybe take a pause, right? Be with your child. When your child goes off to school full time, you probably will have more time and you might want to go back to work.

By the way, I'll end on this, as far as like the whole stay-at-home parent debate, because one of the things that often comes up is whether or not it's better for the kids to have a consistent caregiver home, whether that's mom or dad, there are schools of thought that then that child grows up to be more like adjusted and more successful. So if that's what's part of what's like gnawing at you, like you're worried that your child's not going to have the “stability” growing up, that being there for him day in and day out is what he needs to be set up for success later in life, I would say that consistency is important. Stability helps. But that doesn't have to be entirely sourced from you. It’s really about creating an environment for your child where they can feel safe, and they can feel loved, and they can feel like they can go to you or the other parent or a caregiver or someone of the community. That they have people they can go to reliably, that you don't have to sacrifice your career to set your child up for success.

The most important thing that children need to see is that you are happy, that you are happy with your choices. So if going to work every day is going to make you miserable, and you're coming home miserable, and your kid sees a frown on your face at supper time every night, that's not good. That doesn't mean you got to abandon your career. Maybe it means you need to get a new job that lights you up. So just be happy with your choices. Then when you're ready to get back into the workplace, I want you to circle back with me because I have a lot of advice for how to re-ramp, how to ramp back onto the career highway after having taken some time off. We have a lot of podcasts of parents who've done just that on the show.

But thank you so much for your question. It's been a while since I've tackled this, and I know it's always very sensitive. I'm open to everybody's opinions. This is just my take. It doesn't have to be everybody's take, but I do want to promote, at the end of the day, female financial independence. You can't do that if you're not earning money. You can take breaks, but I like to encourage women, and everybody but especially women, to keep an eye on their finances throughout their lives. So, so important. On that I'm going to end. I could have gone longer but I wanted to end. It's a long weekend. Martin Luther King Junior's birthday on Monday. It's also the So Money birthday weekend, so we're going to have a lot to celebrate in our house this weekend. Keep in touch. Stick with me on Instagram. Follow me at cnet.com/somoney. By the way, if you have a question for me, just text me. You can text me now, 415-942-5002, 415-942-5002. I hope your weekend is So Money.

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