**EPISODE 1311**

[INTRODUCTION]

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So money episode 1311, Ask Farnoosh.

[EPISODE]

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**FT:** Welcome back to So Money everybody. Friday, January 28th. I'm Farnoosh Torabi. This is Ask Farnoosh Friday, your chance to be heard, answers provided to your biggest money questions. And people have texted. They have direct messaged me. They have emailed me. So many ways to get in touch. And you can actually find all of those pathways in the show notes, right? Wherever you're listening to this podcast.

Questions today about investing with the recent decline in the stock market, in particular, in the tech sector. A guest, a listener, is wondering should she by the dip? A couple writes in to ask about their debt. How to consolidate or find a new strategy to pay it down? They've got $25,000 in debt, and they feel stuck.

And a generational money question, and grandma's looking to support her granddaughter through school starting in kindergarten all the way through college. Where should she put that money? How should she invest?

We are exiting the last month of January on a good note on this podcast thrilled with our guests this week. In case you missed it, Eve Rodsky came back on the show. If you remember Eve, she is the New York Times bestselling author of *Fair Play*. And now, her second book is out. It's called *Find Your Unicorn Space*. It's all about how to invite into your life a form of creative self-expression. For Eve, that's dancing. For me, it's comedy, although I haven't been able to do any stand up in the pandemic. But I'm looking forward to getting back sometime this year. And Eve talked about how this is not just a nice to have. Having a creative outlet is a necessity for health and longevity. So check out that episode if you're looking for permission to finally take those tap dance classes, piano lessons.

And then on Wednesday, a completely different kind of episode, but also important. Giorgia Lee Hussey, as you know, she's the founder of Modernist Financial. Came on the show to talk about how to financial plan in a way that recognizes the need for reparations. How to use your financial resources? Your investments? But also your tax dollars. Where you buy insurance? How you estate plan to support marginalized communities who have been systemically stripped of their wealth, specifically black Americans and indigenous communities.

I think this is something that is accessible to all of us. It's a newer kind of conversation that we're having. Thank you to Georgia Lee for seeding the idea. She is working with clients on this actively, and hoping to make this a bigger movement.

Some of my top stories on CNET this week. How to invest in cryptocurrency in a more meaningful way? I wrote about this in my newsletter as well, on Thursday, but I'm just kind of turned off with some of the sentiment around cryptocurrency out there, specifically this sentiment that if you're not investing in crypto, i.e. buying Bitcoin, Dogecoin, all of the coins, buying an NFT, making an NFT, that you're missing out on some sort of gold rush. That if you don't participate in this way, you're a loser. I disagree. I might be on the wrong side of history. But I'll be okay with that.

In the meantime, I wanted to share with the readers and my audience, because you've been coming to me with questions, and they're good questions. How do we participate in this market? Engage in this market in a way that is more aligned with what we're comfortable with? We don't want to maybe roll the dice and buy a random digital coin. But we are curious about how we can "find our in".

So this article, which you can go right now to cnet.com/somoney, it talks about four ways that you can participate in this market in a more substantive way, whether that's through your career, through where you spending your time learning about this market. I've been mentioned a particular digital coin that isn't as volatile as so many of the others on purpose. It's not as volatile. And then there's also, for everybody else who really just wants to invest and buy coins, what's the strategy? Or what should be the strategy. I've got some financial experts weighing in on that as well. So check out cnet.com/somoney for that article. It's called *Curious About Cryptocurrency? Four Ways to Invest Without Losing Your Shirt.*

Also this week, an article, a love letter that I penned to my fellow Gen Xers on how to make the most of your money right now. If you were born somewhere in like the late 60s all the way up to 1980, this one's for you. You may feel forgotten about, right? We're this generation that is fantastic in so many ways. We are agile. We know what it's like to use a typewriter and also a smartphone. A lot of us were latchkey kids. So very young, we were raised to be independent, self-reliant. But that doesn't mean that we don't have financial questions. And we're not at crossroads in our lives.

And so I wrote this article, really more is just a jumping off point. And recognizing that we are sometimes this forgotten generation, providing some advice for areas of your life where you might be struggling. But I promise, this won't be the last. I want to write more to my people in the coming months and years. So if you've got questions, this is a great forum. You can also email me, farnoosh@somoney with those Gen X specific questions.

Let's head over to the iTunes review section and pick our reviewer of the week. I'll be giving this person a free 15-minute money session with me this week. We're giving a shout out to Tony in Chicago, who left a review earlier this month. His review is the following, "A podcast by someone who knows her stuff and genuinely cares about her audience. Love this podcast, Farnoosh. Happy face emoji. It dawned on me recently that I listened to personal development for all major areas of my life, except money."

Well, thanks, Tony, so much for choosing this show, is where you're going to get your financial advice, for your personal development advice when it comes to money. As I say money – When we talk about money, we're really talking about life. So many touch points. We're talking about family, and career, and relationships, our emotions, our health, our well-being. Money runs through all of these channels. And it is such a privilege to be able to have these conversations with you, my guests, every Friday. Thank you so much, Tony.

The best way to get in touch, I'll give you a few pathways. You can direct message me on Instagram if you're an Instagram person, Farnoosh Torabi. Just DM me there. Let me know you left this review. I'll follow up with a link where you can select a time for us to connect. You can also email me, farnoosh@somoneypodcast.com. Let me know you left a review. You can text message me, 415-942-502, 415-942-5002.

Now speaking of the text, thank you to everybody who has signed up. And we have a question from the audience via text from Jacqueline. Jacqueline writes in a question about how to invest for her granddaughter. Well, congrats Jacqueline, your granddaughter just turned one. And what a generous grandmother you are. You want to fund her private education and then college. So K through 12, and then college. How to invest this money?

Well, it is true. And I'm sure you've know that a 529 plan is now a vehicle to not just save for college. But recently the rules changed. So now we can also use that 529 savings for K through 12. As a grandmother, you can open up this account, have your granddaughter be the beneficiary. Even then, you're not committed to only giving her this money if your granddaughter doesn't end up using this money for private education. If her parents decide that public school is fine, you can use that money and transfer it over to another beneficiary. It could be a child, it could be a grandchild, it could be you, if you ever wanted to go back to school.

There's a great book that I would recommend to learn more about 529 plans. And the guest was on this show recently. It's called *Route 529*, Patricia A. Roberts. A Parent's Guide to Saving for College and Career Training with 529 Plans. It's available right now. And by the way, a grandparent can save for loved ones. If your child, your adult child, has a 529 plan, you can contribute to that one as well. But it sounds like you want to do this exclusively.

The only thing I would add to this is that, for the money that you want to use, say in the next five to seven years, as your one year old granddaughter in the next five years starts kindergarten or sooner even, that money you might not want to put in the market. You might want to keep that somewhere safer. Because between now and the next five or six years, that's too short of a timeframe to recoup losses in case there is another huge downturn in the market.

So I would approach this almost with two buckets. High school and college in one 529 plan. That's far enough away where you can invest in a relatively more aggressive way. For the money that you may need in a more immediate timeframe, in the next 5 to 10 years, you can still invest that money but maybe not in the same way as you're investing the high school and college money. So opening up a separate account specifically for those years, which dials back the aggressiveness of that fund, of that portfolio, you might want to work with a financial planner to do this just to be sure that each of these plans aligns with the timeline of the goal. That you're not taking on the same amount of risk for all the dollars that you're going to need between now and the next 15, 18 years, considering you're going to start using some of this money in the next five years.

Not all 529 plans are that sophisticated where you can do this, where you can create two buckets, have one be mildly aggressive and other one be more aggressive. This may be a situation where you want to talk to a planner to work this out for you. But anything you do need in the next five years, put in something very stable liquid that's not going to be influenced by the stock market.

Okay, next is a question on Instagram from Fatty Boom Bar. I love that. Fatty Boom Bar says, "Hey, Farnoosh I love your podcast and your book, *When She Makes More*. I work in tech sales, and I have several colleagues lamenting how poorly our vested company stock is doing and how much money they are losing in the market. I find this to be surprising considering that no one can expect the market to continue an upward trend. And this seems like an opportunity to buy more stock. I have a 401(k) that I max out yearly. My company matches 50%. I have an emergency savings account with my husband. And I have an FU account with Ellevest that I contribute to monthly and then I throw in extra money when I get bonuses. My question is this, am I right to view this as an opportunity that the market over time will recognize an 8% return and that the tech bros are being infants? love your show."

Alright, Fatty Boom Bar. I'm not only answering this question, because I love your handle. This is a great question. It's been a weird time in the stock market. I was just looking up the

 

NASDAQ's return just in the last month. Down 14%. NASDAQ, of course, the tech composite. Over the last year, the NASDAQ this time last year, was hovering around the same number. So what does that tell you? In the short run, stocks may go flat. They may go really south. But over the long run, I looked at the five year return for the NASDAQ. In five years, tech stocks have more than doubled. Don't even ask me about since 1984. If you even gave the NASDAQ a dollar, you'd be very happy right now.

So yeah, I do think that there is an opportunity to buy what they call the dip. Not everybody should buy the dip. But if you are a long-term investor, you have many more years until you need to use this money to retire. Your life is not going to change overnight because the market has a bad month. This is a wise time to look at your plan. See how diversified you are. You want to essentially rebalance the portfolio.

If you're normally 80% exposed to the stock market and 20% bonds, and now we're seeing stocks fall, and now your exposure has changed because the weighted average of what's in your portfolio has changed to, let's say, 75% stocks, 25% bond, just the way that the markets have been shifting, then that may indicate that you want to increase your allocation. Go back to that 80%. You're going to buy more stocks.

A lot of our portfolios will do this for us automatically. There's nothing that you have to do in your 401(k) potentially. You might want to talk to somebody there, read through your plan, understand what you've signed up for. But if you're not already, it's important to auto rebalance. Because, also, who has time to do this on their own?

Portfolio managers know the benefit to auto rebalancing when there is a downturn in the market, and conversely, when there's an uptick in the market. You don't want to be overexposed to stocks. You want to be where you're comfortable. I don't know how old you are or when you want to retire. But I'm just going to use hypotheticals. If you're in your 30s and you've got another 30, 35 years before you retire, you should absolutely be looking at this as an opportunity. And when your portfolio rebalances, that's going to help you out.

What you're experiencing at work with these colleagues who are up in arms is not new. This is why we keep having to tell the advice, to hold on. To not allow the market to throw you around and to make knee-jerk reactions to your portfolio because you're seeing a lot of down arrows in a particular week, or in a particular month, or even over the course of a year.

My story on CNET about Gen X, they lost more wealth as a percentage than any other generation in the Great Recession. They were in their 30s for the most part, 20s and 30s, back in 2008, 2009. They lost the most because they were invested the most, right? Compared to Millennials who are just getting out of college who didn't have 401(k)s. They had obviously more money invested. And then even for the baby boomers who were approaching retirement, they were not as aggressively invested in the stock market. Hopefully not, right?

And so what we found, and this is pure research, they found that Gen X lost a ton of wealth in the Great Recession more than any other generation. But here's the silver lining. The Gen Xers who held on to their stocks, who didn't bail, have recovered better than anybody. Recovered better than people who left. Recovered better than people who got a late start to investing. They are technically the most prosperous generation right now. They've had other benefits. Obviously, they didn't walk into a job market after college that was in a deep recession. That was mostly the millennial cohort. The cost of college was a fraction of what it was when they were going to school. And so we've had some tailwinds.

But the point I want to make is that when you stick with the market, you're going to have bad and rough days, and sometimes you're going to be the biggest loser. But when you stick to the plan for decades, history has proven that it works out in your favor. History is not always a predictor of what's going to happen in the future. But it's great context.

My husband and I were talking about this last night, where he works in tech. He was like, "Have you noticed? There are a lot of people leaving the tech space. Some software developers are leaving. And people are leaving big companies in the tech sector, because their company stocks are losing a lot of money right now." And I'm very curious about this. Because question that I have, when I hear that, is how much are they putting into their company's stock to the point where it's encouraging them to quit their jobs, cut their losses, quit their job and move on? You should never have so much money in your company's stock, that if your company's stock is having a bad month, it makes you rethink your job. Rethink your job if the company's stock is down and it's influencing your work quality and your ability to be successful at work, because there sometimes is correlation, right? If a company's not doing well in the stock market, that might indicate some things that are going on behind the scenes that are affecting you. In that case, yeah, maybe you start looking around. But if you're just bummed out because your company's stock is not performing well, but otherwise, your job is great. My advice is diversify your portfolio.

Remember when Sallie Krawcheck came on this podcast, and you brought up Ellevest, Fatty Boom Bar. Sally Krawcheck is the founder of Ellevest. Before Ellevest, she was a Wall Street juggernaut. She ran big firms. And she admitted on this show that even she did not think to divest more of her stake in her own company. Because when the market tanked, she lost a substantial portion of her wealth because it was tied up in corporate stock in her company's corporate stock. She was too bullish. And she was the CEO. So that's complex. Because if the CEO is divesting, that that doesn't do well to enhance confidence at your company.

But you know what? She was right. We have too much confidence in our own company's stock. We have so much loyalty, and we believe so much in our companies. And that can be a great thing, obviously, because companies have this incredible ability to influence their employees to like open up a 401(k), sign up for health benefits. Positive culture has ripple effects. But irrational exuberance over your company's performance and the future, you got to stay rational. You got to stay rational, and diversification is one of your best defenses.

All this to say, I do think this is an opportunity to invest more. Sign up for auto rebalancing in your portfolio, if you're not already. The market is doing what it's supposed to do. The market doesn't always just go north. It has these moments, these periods. Historically, if you ride them out, you're way better off than if you left. Thanks so much for your question.

All right, I spent a lot of time on that question. So I'm going to have one more here from our friend, Joanna, who wrote in. She went to the website, So Money podcast, and clicked on Ask Farnoosh. Her question pertains to her credit card debt that she's carrying with her husband. So she and her husband are newlyweds, and they're working on paying down their credit cards and improving their credit scores. It's not going great right now, she said, because the balances are high, and their scores aren't so great. His score is a 589. Hers is a 610. So that's out of 850. Yeah, that's hard because you're probably not going to qualify for a lot of great loans with low interest rates, and that's what they're running up against. So trying to consolidate their credit card debts into a single payment, taking out maybe a personal loan, but the APR on the personal loan is often twice as much as the APR on the cards. So financially speaking, mathematically speaking, the personal loans aren't panning out. They're not eligible for balance transfer cards, again, because their credit scores are where they're at.

Joanna says, “This basically leaves us where we currently are, following a strict budget, staying regular and on time with our payments, taking outside jobs, making extra payments when we can, scrapping together whatever's leftover.” For background, they're both 35. They make $100,000 a year combined and they own their condo. The credit card debt is $25,000. It's on seven different cards. Five of them are his. Two of them are hers. That averages out to $100 a month in payments. The only other debt they have is a $400 monthly car payment. No bankruptcies, no student loans, no medical debt. So here's what she wants to know. One, can they negotiate a lower APR on a personal loan? Or do they just have to work with whatever the bank gives them? I'll answer this first.

I have never heard of someone negotiating a lower APR on a personal loan. Banks are somewhat strict about interest rates. They look at all of your financials. They're taking a bet on you. So they offer you array, and that's kind of it. Now, if you had an offer of a personal loan from a competing bank, that might be something to share with the other bank, if you really want to go with the other bank, who's giving you a higher interest rate. Having something to compare it to, which might indicate you would take your business elsewhere, that can be something to negotiate with. But just asking because you want to lower rate usually doesn't work, and that's true with mortgages. The market for personal loans is competitive. But I do think that you want to show evidence of having already qualified for a loan elsewhere with a lower APR.

Next question, when it comes to paying down these balances, is there anything we should be doing differently? All right, so you're already doing so much in terms of you said side hustles and paring down your expenses, putting extra towards the minimums whenever you can. One thing I'll mention because I even forgot about this. So back during the Great Recession, when there was a lot of financial reform, the Consumer Finance Protection Bureau, the CFPB, began mandating that credit card companies on the statements that you get every month tells you how long it will take to get out of debt, if you just pay the minimum, and how much more to pay on the balance to be out of debt in three years. I love this. It's a great treat sheet to look at that. Circle it and start working on that number every single month. Maybe you can't hit it every single month. But what is that over the course of a year? Okay. So when you get the tax refund, when you get a bonus at work, when you get some sort of windfall that you are first looking at that number, how much do we have to pay to get out of debt in three years and meet that?

You mentioned you have two cards. Your husband has five. Another approach could be the snowball method. So rather than paying off the card with the highest interest rate first, tackle something that's really easy to extinguish. Is there a balance, yours or his, on one of the cards, that's like less than $500, less than $1,000 that you might be able to erase soonest, really soon, like in the next few pay cycles, if you put your money together and do that? Then you're down to six cards. It feels better. Then you do that again. Now, you're down to five cards. Bringing down the volume of cards I think is going to help to make this less overwhelming.

On that point, I know that you've probably exhausted the search for personal loans. There's a new app out there called Tally. Have you heard of Tally? I don't have any personal experience with it. It's getting a lot of press. It is essentially a loan consolidation mobile app. To qualify, they do a soft credit check. You got to have a FICO score of 580 or higher, which I think for you means you just make the cut off. Then you hook up your credit cards to Tally. It assigns you an interest rate and it starts paying off your credit card debts. So the convenience for you is that single payment. Because this is a digital-only service, it's an app, maybe they can offer you a lower interest rate. The banks that offer the higher interest rates are typically the ones that have a lot more overhead. The brick and mortar banks, that also have digital presence, but they're paying rent. They're paying commercial rent, and that is going to trickle down to all their fees and all of their interest rates. So if you haven't checked out Tally yet, give it a try. See what kind of interest rate they may give you. Even if it's the same average interest rate that you're paying on all of your debts, the fact that you only make one payment a month, that convenience is worth something. It gives you back your time. It's less stress. It's six fewer things to think about. It's just one payment.

Then your last question is when it comes to financial products like loans, cards, etc., is there anything that two people with lower credit scores might be eligible for that doesn't have an insane APR? So Tally may be one solution. There are also peer-to-peer loans. If you go to sites like Prosper, those companies arrange loans between everyday lenders and everyday borrowers. So I as a lender can go on these sites and give money to prosper, who then gives the money to you to pay off your debt. Then it strikes an interest rate. Those loans, I mean, they have all sorts of credit profiles in their portfolios. They have people with stellar credit scores. They have people who have credit scores that need repair. So looking at peer-to-peer loan options may also be an avenue for you.

But if I'm to excerpt from any of the guests on this show who have gotten out of much bigger debt amounts, I'm talking six figures' worth of credit card debt, student loan debt, the repeat thing that I hear is that you have to get uncomfortable. That's not something you're going to hear on a podcast about how to "live your best life." But as you know, I keep it real. My guests keep it real. If you want to get out of this debt sooner than later, you just got married, you have your whole relationship ahead of you. The sooner you get out of this debt, the better. But it may mean making some really hard choices, selling things, taking on a more consistent part-time job, going on a spending freeze. There was a guest on the show who did that for a year. So you buy what you need, obviously. You got to get your food and your gas and essentials. But extras, eating out, green juices, you just put a boundary around that. You just say no. Go cold turkey. The great news is you have a partner who's going to do this with you. Nothing like having a support system around a financial goal. It can make all the difference.

Okay. Joanna, thank you so much for your question, for all the details that you provided. Jacqueline, thank you for texting. If anybody else wants to join the text bandwagon, it's 415-942-5002. As always on Instagram. Fatty Boom Bar, that's where you found me. I'll see you back here on Monday. Our guest is Spencer Jakab, who wrote about the meme stock craze. Remember this time last year we were all talking about GameStop. What were the lessons? He's on the show on Monday. Thanks for joining, everybody. I hope your weekend is So Money.

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