EPISODE 1317

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FT: So Money is brought to you by CNET, the site that shows how to navigate change all around us. So Money episode 1317, Ask Farnoosh.

[INTRO]

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FT: Welcome to So Money, everybody. It's Farnoosh, mand you're listening to Ask Farnoosh where I tackle your biggest money questions that have come through all the different channels; Instagram, email, text. Questions today about how to prioritize savings, how to negotiate for a salary when the company will not reveal their budget or their salary band? Should we wait out this whole inflationary period to buy big ticket items? A listener of the show is curious. He's interested in buying a new SUV. How can a resident physician who's in her 20s, who's making not that much money right now, make ends meet living in a high cost of living city? Can she invest and save and pay for dinner? I've got some advice.

Speaking of being a resident, a medical student, we had a guest this week who talked all about that. Dr. Bonnie Koo revisited the show on Monday. She's the Founder of Wealthy Mom MD. If you remember Bonnie, who visited the show a couple of years ago, talked about her journey, leaving the world of finance to go to medical school, racked up hundreds of thousands of dollars' worth of student loan debt, plus some credit card debt, arrived in her field ready to be a doctor but had no idea how to manage money, invest, none of that. Today, she is actually no longer seeing patients and dedicating her work to helping women, particularly women who are aspiring doctors, medical professionals, manage their money. Her new book called *Defining Wealth for Women: Peace, Purpose, and Plenty of Cash*. So be sure to listen to that, in case you missed it.

Then Wednesday, a conversation with Deepa Purushothaman, who has been on the show a couple of times, she was on the show to talk about how women of color can define success on their own terms at work, how to hold corporations and employers more accountable to things like diversity, equity, and inclusion, and why leaning in is not a recipe for getting a seat at the table when you're a woman, especially woman of color. Check out Deepa's episode from Wednesday.

I went to an event in New York on Thursday, last night. It was for my friend, Terri Trespicio's book event. She launched a book in late December. But, of course, with COVID and everything, it was a little hard to celebrate in person. So she finally held her event last night in New York City for her book called *Unfollow Your Passion*. You may remember it. We featured it on So Money.

Very nice to be out, let me tell you, and to be in the company of so many cool New Yorkers, a lot of media folks. I ran into, get this, the founder of the phrase FOMO. Did you know that there was a person behind this? Mm-hmm, Patrick McGinnis coined the term FOMO and popularized it in a 2004 op-ed in the **[inaudible 00:03:15]**, which is a magazine at the Harvard Business School. Fear of missing out, right? So serendipitous because you should know I'm writing a book about fear. It's coming out next year. Wait for it. This week, actually, I was researching about FOMO. It's one of the chapters in the book, fear of missing out. I don't know. The universe wanted to make sure that Patrick and I met. So I'm going to see if I can get him on the podcast. He's got a podcast himself. It's called FOMO Sapiens. He doesn't know it yet, but it'll probably make an appearance in my forthcoming book.

This is why connecting in person is important. You never know who you're going to run into, especially in New York, the city for as expensive as it is, as terrible as the subway lines are, for as dirty as it can be sometimes. The people are one of a kind, and I'm so glad that I made the investment to be in the city for as long as I did and now just a few miles outside. But anyhow, if you get an opportunity to go to an in person event, and you feel comfortable with everything going on, I encourage you to do it. Everyone's got their own risk tolerance and risk calculus when it comes to COVID. I was trying to be a little bit extra cautious, so I did wear a mask at the event because our daughter's under five and not vaccinated. But I wanted to do my best to protect her. But I didn't realize how much I missed being in person with other people. This was kind of the first big event, biggish. It was about 50 or so people that I've been to in many, many, many months, and hopefully there will be more in my future.

Moving on, I was so delighted to see the number of new reviews on iTunes recently. Also, how are you all feeling about Spotify? A lot of drama at Spotify at the moment, right? It'll be interesting to see how things shake out if listeners migrate elsewhere, if Apple picks up some of that market share or other newer podcast players pick up that market share. In any event, I believe most of you listened to the show using an Apple platform, an Apple audio platform, whether that's the podcast platform or something else. We have a number of reviews from people in the audience who listened there.

This week, our free 15-minute money session goes to mbandrews17, who left a review on Friday recently, calling the show, "An absolute must. Farnoosh Torabi brings energy, empathy and intelligent responses to listeners' questions. She's also a brilliant interviewer and a thoughtful person to discuss a variety of topics with. I can listen to this podcast without ever feeling disappointed. Because of her delivery, I learned from every episode, even if they don't necessarily relate to my own situation. As a single mom determined to get more knowledge about my personal finances, Farnoosh is the first person I turn to. Looking forward to my long trip to work, knowing I have an episode of So Money to listen to."

Well, I hope you're listening now, mbandrews17. Thank you so much for this really, really loving, thoughtful, kind, dear review. This is like the highlight of my week when I get to read these off. It's a little bit of a bragging moment for me, I'm going to be the first to admit. But where would we be in life without some self-love? I want to give back, right? So I want to make sure that you and I are able to connect. mbandrews17, you can email me, farnoosh@somoneypodcast.com. Instagram direct message @farnooshtorabi. Those are probably the two quickest ways to reach me. Let me know you left the review. I'll send you a calendar link where you can select a time for us to chat about whatever's on your money mind.

Someone recently messaged me saying that they learned how to speak English quickly by listening to my podcast. I didn't know that that was something that I could help somebody with. But I guess podcasts are pretty cool for that reason. Come to think of it. When I was living in Paris for a few months there in college, listening to the news was a great way to learn the language because the broadcasters took more time to speak, and they weren't using slang necessarily. It was really smart to have that on in the background and just have that be your way of tapping into the language. In a way, that also was easier to understand. Anyway, this podcast is many things to many different people, and I'm here for you.

Okay, let's go to the mailbag. What should we start with? Maybe start with the person who's worried about inflation because that's obviously the big news, the big economic news. We are all feeling this at the grocery store, at the restaurants. Outside is expensive. If you're trying to get a car, we know car prices are continuing to hit record highs. Auto experts think that that could pretty much be the reality for the rest of this year. It's because of many things, because of supply chain, disruptions. People were sick because of COVID, couldn't work the assembly lines. Parts weren't getting made. It took me like six months to get a car, where normally it would have taken two weeks, four weeks. Another friend has to wait a year. The used car market was out of control, and it's actually one of the first times in history probably that if you had a used car, you could sell it for as much, if not more, than what you bought it for. Crazy times. It hasn't really gotten that much better because supply is still short for some of these things that we all need and whether that's food, cars, supplies for building homes.

Our friend here is wondering. He texted me actually, smart guy. He was wondering how to make big ticket purchasing decisions in the face of inflation. This is Martin. He says, “I've been saving for my first brand new SUV. It's extremely expensive now. I got a quote for impact resistance hurricane windows too, also expensive. This year, I'm saying hell no to major purchases, maybe next year.” He lives in Miami, by the way, which is why he may need those impact-resistant hurricane windows. Look, we did a whole series of articles and videos and podcasts on the cost of climate change last fall and probably again this year. It's a serious threat, especially for those of us living along the coastlines, Miami in particular.

Martin, my advice to you, my friend, if you need a car, you need a car. I don't really see a way around it. Perhaps it’s not the SUV of your dreams. If you're trying to stay within budget, you might want to think about leasing to help you stay a little bit more liquid and ride out the inflation. So I'm leasing my car, and this may sound crazy coming from a personal finance author because we know we've read all the books saying don't ever lease a car. But I leased a car because it was so expensive to purchase a car. In the midst of COVID and the volatile economy at the time, I wanted to stay as liquid as possible. My cash reserves were important to me.

So if you're looking to save, at least in the sense that you don't want to commit and put all this money down into a car that's probably overpriced, think about leasing something that is within your monthly cash flow budget. If you love the car after three years, then you can buy it. At that point, you've already paid into it significantly. So It could be much more affordable for you at that point. I don't think waiting is the name of the game, I don't think inflation is going to just wrap itself up by the end of this year. If you need to make a big ticket purchase, and it's a real necessity for you, try to find a way to afford this within budget. It may mean abandoning your initial plans to get a certain brand or a certain kind, a certain model, but you can still get the thing. So if you're looking for permission to get that car this year, I'm going to give it to you. But I'm going to say do it within your budget, within your means. Maybe it means leasing. Maybe means getting a car that's not the most fabulous, but it's going to get you from point A to point B.

All right, next up is our friend who's in the audience, a 25 year-old-woman who is anonymous working in marketing in ad agencies. She's having a little bit of difficulty with her negotiations. She says, “I've been interviewing with recruiters who've been reaching out to me about new roles in my field. I've had some recruiters ask me for my salary requirements. And when I ask if they have a salary band, they tell me that the employer does not have a salary band. One said the employer will pay market rate and that I should just tell them, the recruiter, the number that I want, and she'll submit that for me. Another said to tell her the number for her to submit, and then they’ll decide whether they want to have me in for an interview. This feels really icky, and it feels like recruiters are trying to get around this push for jobseekers to ask the salary band up front, rather than having to disclose their current pay information and then low balling themselves. As a young woman, I have no desire to accept less than what I could make.”

I have so many thoughts on this. Put on your seatbelt. Okay, so this is frustrating. The truth of the matter is it's very tough to negotiate when you have a recruiter in the middle. Nothing against recruiters. They have important jobs, and many of them are excellent. But you have to also realize that, in theory, they're kind of compromised. They work for the employer. They're trying to please the employer. Yes, they work on commission. So in theory, the more money you make, the more money they make. But they're trying to also protect their jobs. They want to get people hired that would get paid probably less than what the company has budgeted for. Then that recruiter becomes kind of a star recruiter. They want to make money, but they also want to keep their jobs. They want to be favored. So they're kind of in a tough spot.

I'm going to give you some quick advice. It's not bulletproof advice, but these are just some of my thoughts. Then I want to talk about something that went viral on Twitter. A recruiter posted something that she shouldn't have, and it cost her job. But for you, my friend, like anything in life, you have to be your biggest advocate. If you're running up against recruiters who are not being forthright, who are not being forthcoming, realizing that they also may be in a weird spot. The employers are the ones who are calling the shots through these recruiters. So the recruiter sometimes do have their hands tied behind their backs. Nevertheless, you can still work that LinkedIn network of yours. Try to find somebody at that company who might be able to have an offline conversation with you about compensation. But even then, even if you do discover what the income potential for you at that company is, I would not disclose it off the bat. I would keep pushing off that conversation. Make it difficult for the company to lowball you. Get them to show their cards.

Employers out there, if you're an employer, please disclose. I love when I see job postings, and they tell you right away, “This job pays $125,000.” Why are you playing this power game? I understand that negotiation is important, and there should still be room for negotiation. If a company says this job is $125,000, and you apply, and through the conversations, you realize, “Hey, I could actually give more value to this company or I may be a little overqualified for this job,” that doesn't mean that you can't negotiate still. But at least the company is saying, “This is where we're going to start the conversation.” Where are we going to start the conversation? Hold your ground.

I know when you're young, you can feel like it's hard to have that kind of clout. It's hard to feel that you can speak to power. But this is a great time to practice all of this. It is a job seekers market. Recruiters, if you're listening, I know sometimes you do have your hands tied behind your back, but you are also in a position of power. You also have the ability to communicate this to the employers and say, “Look, this is what the market is wanting.” We can't keep going to the market and playing hide and seek. We need to be forthright about what we are willing to pay because it's going to save us time. We're going to get the best talent. If we've got the money, then we should pay it.

Moving on to this social media post that went viral, I think it first appeared on the woman's Facebook page and then someone took a screen grab and put it everywhere. I mean, it went all over the place, and I think I was just privy to it because I follow a lot of career experts and money experts. The influencer community went berserk on this, rightfully so. So there's a woman. I won't say her name because I think she's got enough flack. But there's a woman who is a recruiter, and she was fired after this whole debacle. In her message, she said she offered a candidate $85,000 for a job that had a budget of $130,000. She says, “I offered that to her because that's what she asked for. She asked for 85k, and I personally don't have the bandwidth to give lessons on salary negotiations.” She wrote, “Here's a lesson everybody. Always ask for the salary you want and deserve, no matter how large you think it might be. You never know how much money a company has to work with.”

That's a loaded tweet, and I think it's wrong on many levels. First, you don't need bandwidth to do what's right in this situation, which is to be transparent about what a position pays. This recruiter with cooperation from the employer could have just said, “You know what? This job pays $135,000.” I understand companies want to save money. I know. Running a business, you got to be smart about your spending. But a $50,000 difference for this company, which we learned was a conglomerate, is a drop in the bucket. But for this employee, this prospective employee, it's a life-changing situation. I know the difference between 85,000 and 130,000. For a family, that's childcare and then some. It might mean living in a better place, a better neighborhood, a better apartment. It may mean finally getting rid of your student loan debt. It may mean being able to support an aging parent. It may mean finally being able to invest for your retirement. Wake up corporate America. Stop being so shady. That's number one. Okay. She's playing into this system, this recruiter.

Second she says, “Here's the lesson. Always ask for the salary you want/deserve. No matter how large you think it might be, you never know how much money a company has to work with.” This is bad advice. No, you should not be paid what you think you deserve. It's not a reward you're getting. It's a salary that's supposed to match the value of what you're bringing to the job, and there is a way to research that and to prove that. It's not just like, “Oh, I dreamt up this number. I think I'm worth this.” We're all worth millions of dollars in my book. We should all be millionaires. We should all deserve to have all the money we want. That's not how you have a conversation about salary.

She is right in the sense that companies we know have more money than they're willing to disclose to pay us. But to go in and say, “I want –” If this person had gone into this recruiter's office and said, “I want $300,000,” let me tell you what. She would have tweeted something else. Something to the effect of, “This woman walked into my office. We had $130,000 reserved for this job. She had the audacity to ask for $300,000.” You know what I mean? So don't pander to us. Get specific. Tell us the numbers. Stop this back and forth. Finally, don't brag about the fact that you're holding the power on purpose. That's not a good look. Anyway, this woman was let go from her job. She says she did not feel empowered to share the salary information with the candidate. She was interviewed later. She says, “Many recruiters have been conditioned to believe that it is a good thing if the candidate salary expectation is lower than the salary range for the role because in their mind, they are saving the company money, which can often be celebrated.” She said, “The second challenge,” this is her quote, “Is that many recruiters aren't connecting this practice of low balling candidates to save the company money to a greater systemic issue regarding inequity in the hiring process.”

But I'm sorry to disassociate yourself from this systemic problem now. This is Farnoosh talking to this recruiter of companies low balling their candidates. As a recruiter, you play a big role in this. If all the recruiters got together, and we're like, “We refuse to play into this systemic cruelty,” I think there might be some change. By the way, going back to our friend who wrote about this initially, who inspired this entire Farnoosh rant, I can tell this person is talented. She's ambitious. She's going to get things done. She's on her way up. Any company who loses her over these stupid games, these stupid salary games, it's their loss. She's going to find a great job that's going to pay her because she knows her value, and she's going to ask for it. The right company is going to pay her for that. These other companies, I'm sorry, you're going to have a lot of turnover. Thanks for coming to my TED Talk.

Question number three is from Kira, a text. She says, “Hey, Farnoosh. Big fan of the show, always learning new things. I'm a mid-20-year-old resident physician who is very fortunate not to have any debt. I make enough after taxes to just barely cover my rent, my groceries, my living expenses every month. I'm saving 5% in a 403(b), and I have so far maxed out my Roth IRA. I add $200 per month to my brokerage account. What do you think about ramping up my 403(b) contributions to max it out this year, and then paying myself from my cash savings in my brokerage account for the cost of living? I hesitate because I live in a city with a high cost of living. I have a hard time thinking about pulling from my cash savings, which is in my brokerage account, which is by the way in the multiple six figures. I understand the rationale though, given that I'm playing the long game. Just not sure if it's the best thing to do, knowing that I have life to live right now, and I'll probably become even more frugal if I'm pulling cash from savings, but maybe it'd be worth it. Would love your thoughts."

All right. So, Kira, let me understand. You're making money, right? You're not making no money. You're making some money as a resident physician. You're working long hours. You're making just enough, barely enough, as you say, to pay for your needs. You're also saving in a retirement account, a 403(b). You're not maxing it out yet. But you're also, separate from that, maxing out a Roth IRA, and you're adding 200 bucks to a brokerage account every month. So here's what I would do. I take that extra $200 that you're doing every month to the brokerage account, and I put it into the 403(b) where you're going to get the tax break. When it comes to retirement, the hierarchy is like this. Optimize by first putting your money towards the most tax-efficient plans, the most tax beneficial savings plans. The 403(b) is going to give you a tax – It's going to help you save on taxes today. You're already maxing out the Roth IRA. Fantastic.

The brokerage account is third on the list, as far as the sort of investment accounts that are the tax friendliest. I invest in a brokerage account after I've maxed out my workplace 401(k), my SEP IRA, all of that. Then I put money into the brokerage account. So think about that. I would take, first step, that $200 extra a month to your brokerage account. That's already pretty big, 300 – You have several $100,000 in there. Add it to the 403(b) so that you feel a bit better about taking advantage of that workplace retirement account and the tax benefits. It sounds like you're investing at least 10% of your income or close to it, which is great at your age, given everything you have going on. So I don't think you need to be investing more right now. I would just shift that $200 over to the 403(b). I think you're doing great.

I would then look at your budget and tack on maybe, maybe an extra $500 a month from your brokerage savings to add to your cash flow to just give you a little bit more breathing room. Is $500 a month helpful? Can it make improvements in the quality of your life? Perhaps. There was this study recently out of the state of California, where they gave some residents there an extra $500 a month. To put it in those residents' words, it was life-changing. California is a pretty high cost living state. So thinking maybe depending on where you are, this could also be highly beneficial to you. The road to becoming a doctor is difficult financially. It can be. You do have the benefit of no debt. Oh, my goodness, so fortunate. You have already tons in your brokerage account. You've got access to a 403(b). You're maxing out your Roth IRA. You're killing it, woman.

If you have to, after you look at your budget, after you look at how maybe some expenses you can cut, if you still need more breathing room, then I think taking $500 a month. Just park it in like an emergency account where you can tap that, in the event that you have an unexpected expense. Or sometimes, some months, you're spending more than other months, and you need that to tide you over. You're in the homestretch. You're going to be making more money soon. By the way, go listen to Dr. Bonnie's episode from Monday. She knows all about your tracks. She's been there. She's done that. She's got really great advice.

All right, last but not least. A question here from Estevalis. I hope I'm pronouncing your name right, Este. She says, “Hey, Farnoosh. I love your show. You're making real generational change. Here's the question. How do we set up a healthy savings goal? Between me and my husband, we make 185,000 a year. We have regular expenses, and we both save 10% in our 401(k)s, which get a 6% match. We have two kids, nine years old and two years old. We want to open up college savings accounts for them, but we also want to invest. We want to have an emergency fund and all these things. How do we allocate the savings?

So here, again, is a question about how to prioritize your savings and your investments. We all have multiple financial goals. They can feel like they're very competitive. Firstly, Este, I'm going to call you Este for sort, if that's okay. First order of business when it comes to allocating your money for savings is for emergencies. Take your bare bones expenses every month, multiply that by six, park that in an online account, somewhere that's potentially high yield. I don't really mind what the interest rate is on emergency savings because this is not designed to be a forever account or a long-term account. This is an account that you might tap into every once in a while that you want to have mostly be liquid and insured. So a good bank, FDIC insurance where you can access this money, meaning you can wire the money really fast, hit up an ATM if you need it, but it's your emergency account, priority number one.

Number two, saving for retirement, which you already are, and you're doing a great job of that, so wouldn't change anything there. Third, with whatever savings is left, open up a 529. You can start slowly. You can ramp up after you have. You're ready. The account's fully funded. A great book for this that I recommend, I had her on the show, this woman, Patricia Roberts. She's the author of *Route 529*, all things 529 plans, which is the popular college savings vehicle. The website savingforcollege.com is also great.

As I wrote in my financial love letter to Generation X recently for CNET Money, when we are parents, and we have all these competing savings goals, it can feel like a lot, and we want to take care of ourselves. We also want to take care of our kids. Of course, saving for college is a lovely way to secure your children's financial future. But you have to put your own oxygen mask on first. It's okay if you don't fully fund your children's college education. There are many ways that they can find ways to afford college on their own. Help from parents is always welcome, but you have to be sure that you are covering your bases first. So prioritizing your own retirement and your own savings over college savings, I think, is vital. You don't want a situation where you have not done steps one or two, and you've just gone straight to the 529. You've paid for all of your kids' college. You feel really good. Then years later, you're heading for retirement scared, worried that you're going to probably have to work an extra 10 years because you didn't cover your own bases.

Thanks so much for your question. Thank you to everybody for writing in. Always the best questions from the audience, from the So Money community. I so appreciate you. I hope everybody has a great Super Bowl weekend. I'm going to see my brother for the first time since Thanksgiving because that's how life has been. Life has interrupted so much of our ability to connect with family. For those of you who are in that camp, I empathize. I sympathize. But Super Bowl weekend/Valentine's weekend/my birthday is next week. It's a big week in our family.

As always, thank you for joining me. Keep those questions coming. You can text me, 415-942-5002. You can follow me on Instagram @farnooshtorabi. If you want to connect with me for one on one, leave me a review on iTunes, and I might pick you in an upcoming Friday episode. I hope your weekend is So Money.

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