**EPISODE 1356**

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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 1356, Ask Farnoosh recession special.

[INTRO]

[00:00:39]

**FT:** Welcome to So Money, everybody. Friday, May 13th, Friday the 13th. I'm Farnoosh Torabi. It seems like the right time to be talking about a potential recession. This whole episode, as I've been teasing, is going to cover recession ground. All of your questions that have come through about will we have a recession, what's it going to mean for my investments, should I make big expenses towards the home, what should I do with my budget. We've got it all covered on this episode.

I'm not being an alarmist. I'm just sensing what you're thinking about. For the past couple of weeks, people have been writing in unprompted about the recession, and the headlines have been talking about a potential recession. The R word has been tossed around a lot lately. I've got a lot of thoughts on this, and I want to first talk about what is a recession, why it's making headlines, and then get into your questions.

But before we do all of that, let's go to the iTunes review section and pick our reviewer of the week. I just finished talking to one listener, Eric, who left a review. So nice to connect with you, Eric. Thank you for hanging out with me on the phone. We actually talk on the phone, voice to voice. We're old school. We talked about Eric's plans to maybe retire early, teaching his daughter about financial literacy and getting her to understand the financial road that her parents are on. We talked about college, how to assess what's worth it, what's not. How do you prepare financially? How do you prepare your kids for the college decision?

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We did all of that in minutes. I'm a fast talker, but also Eric came with some really good questions. So this could be you and me in the future. If you leave a review, I then pick a review every week, and then that person gets a free 15-minute phone call with me. So this week, we're going to say thank you to Ilbryant, who left review earlier in may calling the show, "Best of the best. My favorite way to start the morning three days a week. Farnoosh has tons of financial insight. I leave each morning feeling better prepared to steward my family's money well." Thank you so much. Ilbryant1, you can DM me on Instagram, @farnooshtorabi. Or send me an email, farnoosh@somoneypodcast.com, and let me know you left this review, and I'll connect, send you a link to pick a time on my calendar for us to chat. Super simple, looking forward to talking.

All right, now let's talk about what we're all here to learn, recessions. Like I said, the mailbag has a variety of questions about how to best prepare for a potential recession, how to make money moves, investment moves, purchasing moves. I'm going to answer all of them. But first, let's do a recap of what is a recession and why we're even talking about it right now. So what is a recession? It's a period of economic decline, not stock market decline. This is an important distinction that I want to make.

Earlier this week, I did a media interview, and the journalist asked me about the stock market and why the recent volatility was a potential indication of a recession. The question kind of threw me off because in my mind, from my understanding, the stock market is not really the determinant of a recession. It's an important distinction that I want to make. It's not the basis of how we measure the country's economic growth. I mean, surely, if the market has an up week or a down month, that's meaningful, but it doesn't necessarily mean or suggest that a recession is on its way, especially these days where technology stocks do so much of the driving in all the directions.

If Facebook and Google have good earnings reports, bad earnings reports, the market will move. Does it mean that the economy is headed for a slowdown? No. A better predictor of a recession is the economy, not the stock market. What drives the economy, by the way, is consumer spending. Consumer spending is the single greatest driving force of our economy. Yes, consumer spending impacts the stock market but only to an extent. If consumers, let's say, stop buying gas guzzling cars, certain auto companies and oil companies would take an

earnings hit, and that may result in falling stock prices for those companies. There may be a ripple effect throughout the market.

But it's not going to say that we're headed for a recession. A better indicator is how consumers are spending and how it's impacting economic growth. So technically, technically, the definition of a recession is this, two or more consecutive quarters of a decline in economic activity. How do we measure economic activity? Gross domestic product or GDP. Now, GDP broken down, what is that? It's the total value of the goods and services produced and spent in a country during a period of time. We measure it every quarter, and we measure it every year.

Now, even more specifically, GDP includes internal spending within our borders by consumers, by businesses, by the government, as well as the net exports, what other countries are spending to buy our goods and services. It's all about the spend. Another simple way to look at this is that GDP measures how much demand there is for goods and services, all produced within our borders. So that's what a recession is. That's how we measure it. Is this going to happen? Is this going to happen this year? Are we headed towards a recession?

Well, technically speaking, again, with that definition, two or more consecutive quarters of negative GDP, the reality is we are halfway there. Real gross domestic product, GDP, which is adjusted for inflation, dropped at an annual rate of 1.4% in the first three months of this year, and that was after an increase of almost 7% in the fourth quarter of 2021. So it was a pretty dramatic drop in GDP. Now, why did GDP fall? Well, it's because of omicron and the rising COVID cases that we saw in Q1 that led to supply disruptions, that led to employees not being able to come to work.

Also, inflation began to really ramp up during that time period. Inflation, by the way, is also historically an indicator of recessions. Right before a recession, we see prices go up, and the reason for that is because what happens when we have inflation. The federal reserve tries to deliberately slow down spending by raising interest rates. There is a deliberate strategic approach to curbing inflation, and that is through making debt, making loans more expensive, loans for consumers, loans for businesses so that spending and growth does slow down. It has to. Because carrying loans becomes too expensive, saving money then becomes more the default.

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Right now, inflation came down a little bit in April, but it's still at 8.3%, the highest in over 40 years. So what are we seeing now? The federal reserve raising rates to curb spending, to promote saving. But the concern then is that if it becomes too expensive to borrow, what's going to happen to company profits, right? Then on top of that, you might still have high oil prices. If it becomes more expensive for companies to produce, to manufacture, to hire, well, then all of that factors consumers' ability to spend. If there are fewer products because there's been a slowdown in manufacturing, because the business loans are too expensive, well, that's going to take from GDP. If I lose my job because my company decides that in light of high interest rates and an inability to borrow at affordable rates to get capital loans to grow, they're going to go on a hiring freeze or they're going to lay people off. So that might also impact our wallets. It'll impact our paychecks, our wallets. It'll impact GDP.

I'm trying to show you sort of the domino effect of how consumer spending impacts GDP. Then even before you get to consumer spending, all the things that happen that affect consumer spending, that then affect the GDP number, that then suggests or defines, ultimately, a recession. Now, GDP can get revised. So while it potentially adjusts, economists also want to keep an eye on a few other factors; income, employment, manufacturing, and retail sales. This all feeds into demand. This all feeds into consumer spending. So economists look at GDP, but they also look at these factors that fuel GDP to gauge the potential for a recession.

Economists are kind of mixed on where we're headed. Leaders at banks are not sure. There's some that are very bullish on a recession, and there are others that are saying, "No, we just had this first quarter of negative GDP, but we're going to bounce back." Why? Well, because wages are pretty strong. Inflation is going to get better. We actually just saw April inflation numbers come down a little bit. So that's giving people some hope and some optimism. It's still anyone's guess. I'm going to tell you this right now. I have as much worry and anxiety as the next person.

But when it comes to predicting a recession, I like to remind myself of something, and it's actually a quote from a guest on this show who wrote a famous book. His name is Morgan Housel. He's the author of one of the best money books, *The Psychology of Money*. If you don't have this on your bookshelf, put this podcast on pause, go to your favorite bookstore, and get it. Morgan, he has the best Twitter feed, so follow him on Twitter too. He said this earlier this year.

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When people were first talking about a recession, he said, “Look, we're definitely heading towards a recession. The only thing that's uncertain is the timing, location, duration, magnitude, and policy response.”

So he's right. Recessions will happen. They've happened times since World War II. So what's that? Every five, six to seven years? It's what the economy does. It expands and then it contracts. It booms and then it busts. But the severity and impact of a recession, the duration, the policy response is not something that anyone can really predict. We can probably predict the federal reserve will continue to raise interest rates. But how much, how many times? It's anyone's good guess.

The only and best thing we can do, in my opinion, is we got to control what we can control. This includes regularly reviewing our financial goals to make sure that we feel still aligned with where we're going, that we feel like we're “on track.” If we're not, then there may be some levers we want to pull to make sure that those goals have a good chance of happening. It also means reviewing how you're spending and unplugging from costs that just aren't aligning with your goals anymore. We want to consider ways to bring in additional revenue streams to support our monthly costs and our savings goals.

If you have the So Money calendar on your desktop right now or wherever you are, I did not plan for this, today's tip, it says branch out. What I mean by that when I go on to talk about in the tip, we often talk about diversifying our portfolios. What about diversifying your revenue streams? This is how you help yourself become a little bit more recession-proof. It's good for good times. It's good for bad times. When you have additional income to lean on, to fall back on, when, let's say, one job disappears, another revenue stream vanishes, it is a way to build up security. So this was the tip from today.

I know this is on a lot of people's minds. It’s no coincidence that when we're worried about a recession or when we see inflation, that people start looking for other ways to make money, right? They need to survive, and they need to create economic security. So they will pick up some part-time shifts. They will work on weekends, doing side projects. I think that's a healthy practice all year and particularly if you're somebody who wants to create a cushion in your

budget, in your financial life ahead of a potential recession because maybe you're worried about losing your job. Maybe you're worried about making ends meet.

What else can we control? Besides maybe getting that side hustle or reviewing our spending habits, we can try to consolidate debt. Especially now in a high-rate environment, in order to streamline payments and have one fixed, preferably lower rate payment, consolidating is the way to go. Would you have been better off doing this last year? Yes. I'm not going to lie. Rates are high. Rates are higher now than they were last year. But if you do have any outstanding debt that is carrying high interest rates, and you're getting offers in the mail, or you're seeing offers online for consolidating that debt into one personal loan or one credit card that's promoting zero interest for the first 12, 15 months, that might be interesting to you.

So we're going to go to the mail bag now, but you're going to hear me probably repeat some of these strategies and reinforce them as we navigate the questions from our audience. These questions are excellent, and I just want to start off by saying thank you to everybody for participating. I went on instagram earlier this week, put in a question box, and by the end of the day had dozens and dozens and dozens of questions. Some of them similar to one another. You might not hear your name, but you'll hear the question.

I chose this first question because it kind of will level set us for the rest of the episode. Our friend, @iamalwayscold, on I instagram, that is the handle, asked the following, "What are some of the things that always happen during a recession that may affect our lives?" Excellent question. So in a recession, I personally have been through, let's see, one, two, three, four, four that I can remember. Then I guess there was a fifth one right around when I was born. So that's, for me, like every eight years there's been a recession, I guess.

The Great Recession was the one that was most recent. That was the subprime mortgage crisis. That was the global financial crisis that lasted. That recession lasted a year and a half. It started in late 2007, and it ended in mid-2009. What happened during that Great Recession? I'll tell you if you don't remember. I'm not going to say all of these things will repeat, but we certainly had a lot of job loss. I lost my job during that recession. Unemployment hit double-digit territory. People tend to save more money during a recession, believe it or not. I guess if you're

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lucky to have a job, you're worried about what you're seeing around you, and so that leads to a rise in saving.

But also, what might be happening that would encourage people to save during a recession is rising interest rates. Theoretically, when rates go up, that's across all financial products, loans and savings. We haven't really seen percentages go up on our bank savings accounts, at least not enough to write home about. Hopefully, look, if we're going to be paying more for debt, give me some more in the bank account. I'm hoping that that will happen. If that does happen, we will probably see more people saving money. There's more incentives to save, and that definitely happened in the last recession.

Another thing that might happen during a recession is a drop in manufacturing. So if you have plans to, say, build a home, get a car, get appliances, there may be a slowdown in getting those to you. Within those sectors, there may also be slowdowns in hiring. In an effort to curb inflation during a recession, we may see prices fall. I mean, hopefully, that's the whole point, right? That prices will come down. Things may become more affordable. We may also see more consumer defaults on debt. Because interest rates might go up, they're having a hard time making those payments. They're losing their jobs, having a hard time making payments on everything from mortgages to car loans.

We typically say that when people start to have a hard time paying off their car notes and their car loans, that is like sort of an unofficial whisper of a recession because it's suggesting that people are having a hard time. If you can't make your car payment, things must be really bad. So those are some things to keep an eye out for.

Those are some of the events that typically happen in a recession. In the last recession, of course, we also saw so many home foreclosures. But on the bright side, the silver lining, I think, to some recessions, we saw this last time in 2008, 2009, was this boom in what we now call, what we've now identified, as necessity entrepreneurship.

I lost my job in 2009. There were no other jobs to be had. It wasn't I could just go on LinkedIn, update my resume, and sit back and wait for phone calls. No. If you lost your job in 2009, you had an average eight to nine months of unemployment ahead of you. Not everybody can collect

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an unemployment check for eight to nine months and make ends meet. A lot of us have to go out there and make something. Do something. Get a lemonade stand going.

I started a business, like so many people in the last recession. I'm a small business. But if you think about some of the big, huge companies that we all love and know today, a lot of them started in recessions. Hewlett-Packard started in the Great Depression. Microsoft started in a recession in the early 1970s. Uber, in the late 2000s, started that company. Why is entrepreneurship so hot during a recession? One, it's because when you're in a pressure cooker, when you don't have income, you are more motivated to think outside the box, to become innovative, and to take more risks. Because you're like, "What else do I have to lose?" That's one thing.

The other thing is that the cost starting a business in a recession is typically lower than it will ever be. The cost to hire could be less than it was before the recession. I will say this too, that depending on the recession and what causes a recession, industries that suffer the most in recessions. Again, not always the same. In the last recession, it was financial services, real estate, housing. Those industries suffered disproportionately more than, say, travel or retail.

So where do we see most of the innovation? We saw a lot of fintech come out of the recession because consumers were losing trust in traditional financial companies. So innovators were like, "Let's create new digital products that are more accessible, more transparent, more friendly." We saw fintech development just explode since the last recession. It's no coincidence why that happened.

The gig economy was also born out of the last recession, again, because people were trying to find side hustles, plural. There were no jobs, so we had to get shift jobs. So companies that employed people, looking for hourly work, TaskRabbit, Uber, Upwork, Lyft, these companies now had a chance because there was a lot of demand for working in these types of companies. It was also about convenience, yes, and about on demand 24/7 life, yes. But I also believe that it was because we were left with a labor force that needed.

So I think that if there is to be a silver lining with recessions, it's that opportunities become more clear in some cases. There is a bigger appetite to take the risk, to do something innovative, to

become that entrepreneur that you've always wanted to be. Keep that in mind as we go through these questions. There's always a flip side, right? There's always an upshot. I think, for me, I always say that I'm thankful that I lost my job in the recession because the universe delivered to me something that I might have been a little too scared to do on my own. Truly, I was too afraid to take the leap. I was too conservative. Then the recession happened, and I didn't even have a choice. They asked me for my badge back and my Blackberry back, and that night I was unemployed. So I had to think of something, and I'm glad I did.

Sticking with some optimism, one of our listeners, her name is Barefoot Bogle, asks, "Farnoosh, are there any signs that the economy is improving?" This listener is not here for the recession convo. She's not going to have it. She wants to look at the bright side, and I really appreciate it.

Yeah, there are some bright spots and signs maybe that we're on the mend. As I mentioned earlier, the inflation rate cooled a bit in April to 8.3%. It's still really high. But we'll see if this is an actual trend. Hopefully, it is. Hiring, depending on the sector, is still brisk. It started with the Great Resignation in 2021. Now, those workers who left their companies for various reasons, burnout, wanting better benefits, more flexibility, just a change of heart, change of focus on their careers, are now looking for new work. So companies that had those brain drains are now looking to fill those spots. Not entirely. I know some companies are having hiring freezes. Some companies are just going with AI, frankly, to fill some positions. I'm hearing a little bit of that. But there are jobs out there, and that's a healthy sign.

Home values are also going up. If you own a home and you're looking to sell, you're in the money. You are in the money. My guess is that you're going to come out. If you sell this spring, this summer, you're going to do very well. With that money, you can then you know go on to create more financial security for yourself. Assuming then you don't want to buy another house in the same area. A lot of times, you have to do a little bit of geographical arbitrage. You got to sell in your neighborhood. Buy in a different neighborhood where prices are less, and then pocket the rest if you're lucky. So off the top of my head, those are the bright spots, my friend. I hope that that was helpful.

How might a recession impact a new business? This is a question from April. April runs a presentation coaching consultancy for entrepreneurs. When we are thinking about how a

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recession might impact our business, we have to think about our customer, our clients. How will they be impacted by this recession? How does our service and our goods fall on their hierarchy of needs? Will they continue to pay for our services, for our goods? In a recession where they may be affected adversely, they may lose their jobs. Their spouse, their partner may lose income. So the household budget shrinks. Where do you fall on their budget and their list of priorities?

It's important to know your customer to really deliver the value, over-deliver the value, articulate the value, so that they know how your service, your product, is not just a nice-to-have, but a must-have. A recession may be the window, the time frame, in your business where you think more innovatively. You think more strategically about creating a host, a suite of products at different price points. Because maybe you are, let's say, prior to the recession, a very high-end coach. Maybe your customers are recession proof in the sense that they're very wealthy, they have ample savings. Maybe you don't have to worry about losing revenue.

But maybe there's a percentage, a significant percentage of your customers that you're not a no-brainer. You are an investment. You are a conscious allocation, and you are a tradeoff. Investing in you means not doing something else. In a recession, if that client loses money, loses a job, it may be harder to justify your services to them. But if you create something that might be at a more affordable price point, and this is something you'll have to be comfortable with, what does that look like? Would you be willing to put your customers on like a temporary leave?

The recession, when I lost my job, my mother had lost her job. The very first thing we did, we went to all of our expenses, and we started making phone calls. We started calling the gym. We started calling anywhere we had subscriptions, memberships. Even, we called our home insurance. We called car insurance. We called utility companies. We didn't do this together. We just actually found out separately that we'd both done this because we're two peas in a pod. We just went down the list. Initially, we called to cancel.

Then these companies, a lot of times they would come back and they'd say, "Look, we'll give you three months free. Why don't we just keep you on the file? We'll keep you technically onboard. But we'll just pause, freeze your subscription for three months, for four months, for five

months, and then we'll get you back on track." That was great because it was like giving myself a bit of a deadline to get myself back on track and to have something to look forward to.

For the business, it was very smart, very strategic. By keeping me onboard, it made me more loyal to them, I appreciated their flexibility, and there was a high chance that I was going to return. The business took a little bit of a hit, temporarily. It wasn't a complete and full stop. Just some things to think about, really get to know your customer. Maybe now, talking to them about how you can bring more value, getting survey responses, getting feedback. This will all inform you as far as how to navigate your business through the recession.

If you find out that a majority of your customers, clients that you're coaching work within a particular industry. Let's say they're all in financial services or majority in financial services, and then we see financial services be the leading sector for layoffs in this recession. I don't know. I'm just speaking hypothetically. That will have a domino effect on your business. So getting that survey done, knowing how to deliver more value and different ways of delivering that value to your customer is not just going to be a great way to react to a possible recession. But it could actually even be a really great long-term strategy for growth and for leveling-up. Great question.

Christina wants to know, "Is it crazy to remodel my home right now, Farnoosh? I was going to use a HELOC for our kitchen remodel." HELOCs are very popular right now, home equity lines of credit. Why? Many homeowners are sitting on some nice equity. Over the last two years, home values have really appreciated, and many homeowners are like, "Let's leverage this. Let's do something with this." Not because we want to get into debt, but because we want to have as an emergency maybe or as a vehicle to pay for a really big expense that we want to pay off over time at a relatively low rate. To tap some of our home equity in the form of a HELOC wouldn't be a bad move.

I think you heard me on this show talk about how, my husband and I, we were thinking of taking out a HELOC as sort of an in case of emergency, break open glass sort of financial tool. We haven't done that yet. Rates right now on HELOCs for a 20-year repayment, a little over 6%. Definitely higher than where they were this time last year. But compared to, say, a credit card or even a personal loan, HELOCs are pretty competitive. You have to have equity in your home, though. You have to have at least 20% equity in your home. Then from that equity, the more you

want to borrow, of course, the longer the application could take, and the harder the underwriting could be. But if you're just looking to take out a little bit of it, 10%, 15% of your equity, to pay for you know a kitchen remodel, Christina, it's something to look into for sure.

But the question you really need to ask yourself is this. If you lost your job, or if your partner lost his or her job this year or early next year because, yes, we're in a recession, and companies are laying people off, would you regret taking out this HELOC and accumulating this debt? In other words, do you have enough in savings to cover an emergency like a layoff, as well as a nice to have big expense like a remodeling of your home? If the answer is, "I wouldn't regret it. I have ample savings. We are prepared to take on this debt, even if one of us loses our jobs," then I think you can go forward with this with peace of mind.

A HELOC, again, is a pretty competitive financing tool right now. Interest rates are going up. The sooner you apply for this, probably the better. Although, I will say a lot of HELOCs, they do have variable rates. If you can find one that will lock a rate for you, even better. But just keep that in mind. Speaking of HELOCs, the Kristen2 on Instagram wants to know, "What else, besides a HELOC, can I take on to prepare for a financial emergency?"

Well, we've talked a little bit earlier about some other ways to fortify your finances, to sort of recession-proof your finances. For example, getting an extra income stream through a side hustle, paring down your expenses. If you're looking for financing tools like cheap debt, cheap access to credit, the HELOC is one of them. Although, I wouldn't go crazy with a HELOC, right? I would just take out a little bit of your equity and just keep it there. Look at it once in a while. But it's really there just for when the alarm bells go off, and you've exhausted all of your other resources.

Keep your credit score in good shape. Everybody listening, it's really important, as you enter a recession, to keep your credit score in good shape because credit is going to get even tougher to access typically in a recession. Companies, banks are going to be a lot more scrutinizing when it comes to giving out loans and credit cards. So if you have good credit, you'll have a better chance of accessing credit at decent interest rates or whatever the best interest rates are at the time. I'm saying this because in the event you will need to take on debt and you want to do it as cheaply as possible, there are these credit cards that have zero percent APR for the first

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12 months, 15 months. Those who qualify for these types of credit cards have really good credit scores.

Sophixticated wants to know how to manage rising interest rates with a mortgage. They're closing on a mortgage later this summer. How to deal with rising rates? You got to lock it in, Sophixticated. Work fast. Get your paperwork in on time. The good news is that banks are not as overwhelmed right now with mortgage applications. As interest rates go up, the applications go down. Getting approved and then the closing process could go more smoothly, faster. Lock in the rate.

Moving into savings, a question from one of our listeners about where to put savings, "Hey, Farnoosh. I have about half of our savings in money markets. I'm scared to lose it all. Any advice? We're 37-years-old and we eventually want to buy a home." All right. I want to know one thing, though, because you say money markets. Are we talking money market fund or money market account? Two very different vehicles. A money market fund is a low-risk, highly-liquid investment asset, while a money market account is a type of deposit account offered by a bank or a credit union.

The fund, although still low-risk compared to other kinds of investments, runs a bigger risk of losing value, as opposed to a money market account. In a down market, the money market fund runs a higher risk of losing value than a money market account. So if you need this money for a really big cost in the future like buying a home, I wouldn't risk it. Anything that you need in the next three to five years, any money that you need in the next three to five years, I would put in something safe.

We've talked about I Bonds on the show a number of times. This, again, is a hot search item right now. We've written about it on CNET. We've done videos about it on CNET. I Bonds are a secure government-backed investment. They're sold directly to the public. And the cool thing about I Bonds is that they track your cash alongside inflation. If you put your money right now in your credit union account, in your bank account, it's not going to track inflation. It's going to earn close to nothing. And by the time you pull it out in a year, it will have lost purchasing power because of inflation.

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I Bonds, while this isn't where I would put all of my emergency money, I put a fraction of it there, is a way to shield against inflation. The current I Bond rate, as inflation has been going up, is topping 9%. I'll put the link to the article that I wrote about I Bonds and other sorts of savings vehicles to help you stretch your dollar further in this inflationary environment here in the show notes. But I Bonds, check them out. Maybe a better place than your money market fund or even your account.

Okay. Some investing questions, shall we? We have a few here. I'm going to go as quickly as I can. Crystally453 just invested for the first-time last May. How long will it take to recover my losses here? Can I gain back my money in 10 years?

Crys, I'm not going to be able to tell you when you'll be able to gain back your money. But I can tell you that, historically, it pays to stick with the market. I was at dinner with my brother this week, and he told me that a bunch of his guy friends are pulling their money out of the stock market. Young guys in their 20s and 30s. And I'm like, "Can we call them right now, please? Can I get them on the phone?" They're too young, perhaps, to remember what happened in 2008-2009 when so many people fled the markets. Because this guy was falling for a little bit there and they got really scared. They just couldn't see all the bleeding. So they just entirely pulled out. And what ended up happening? We had one of the longest bull markets from starting around 2011 to 2020. And had you stuck with the market, you would have done very well. You would have regained those losses and then some.

I'm not going to say that's going to repeat entirely. But I do know, historically, stocks rebound. The market is volatile. But sticking with the market is better than abandoning it and putting your money under a mattress or in a checking account for 20 years. If you have a long-term horizon, I'm a believer in the stock market.

Mfine guy, "Is it a good time to increase my 529 contributions, or put money in an S&P index fund?" Well, this really just comes down to what your goals are. If you feel like you want to catch up with some college savings for your kid, then maybe it's the 529. But if you feel like you are behind on retirement and you really want to put money in the market to add to a long-term goal, like retirement through something like an S&P index fund, then do that.

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I will say that if you're falling short in both categories, so you haven't done enough with college savings, and you haven't done enough with your retirement plan, go with the retirement plan. Go with the S&P index fund. This is not because I'm telling you the S&P is going to return more than your 529 portfolio. What I'm saying is that you got to take care of your retirement first before your kids' college.

We've talked about this on the show a lot. And I know that parents, it's emotional. You want to make sure your kids are taken care of if you have ambitions for your kid to go to college, your kid wants to go to college. You want to be able to afford them options when that time comes. And a 529, if you are lucky enough to have savings left over to allocate towards this, it can be a fine way to invest towards that goal.

But sometimes parents do that at the expense of their own retirement savings. So then what happens? You arrive at retirement. You don't have enough money.  Your kid went to college debt-free. But now your kid might have to help you out because you didn't do enough to save for yourself. And so you actually didn't end up helping anybody.

All right, Cassidy Delaney wants to know, "Hey, Fanoosh, I'm a buy and hold girl. So I don't plan to act emotionally here. But we recently bought a house. And I'm wondering, should we be doing anything different over the next few months? We're 27-years-old."

All right, Cassidy Delaney, as a recent homeowner myself, I find that in that first year of home ownership, there are a lot of unexpected expenses. The thing to really do right now is to save. Get liquid. Get that cash in the bank for your own protection, for your own emergencies, but also as a way to pay for maybe some leak, to pay for repairs around the house, or appliances breaking down. That first year owning a home, you just never know what's going to pop up. And better to have that cash on hand.

And lastly Marisha, "As someone who is a part of the sandwich generation, and I have a long way to go, should our financial plan always anticipate a recession at least a few times in our lifetime?"

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Well, Marisha, I think, yes. Hope for the best. Plan for the worst. A recession, by the way, isn't always going to be the same every single time. Remember, we had a recession during the pandemic. We also had a recession during the housing crisis. Very different types of recessions led by very different reasons. Don't worry so much about the how and the what of a recession. Do assume that there are going to be periods during your life where the economy is going to do better than other times.

The thing that you need to worry about is are you making the best decisions for yourself and your family that you're continuing to prioritize, saving, investing, paying down debt, but also looking into your earnings as well? How can you earn more money? I tell you, this is something that I wish I knew more about when I was starting out. Making an extra $500 a month is life-changing for a lot of people. Life-changing. And you can go on the internet right now and try to find some gigs, get you close to that.

And again, I've done work on this, and I'm happy to put those links in the show notes. But really, that's a huge part of this. Because our wages have remained stagnant for far too long all while the cost of living has catapulted. So, yeah, we can cut back, and we can be smart, and we can try to invest for the future. But something's also going to happen with earnings. What are you going to do? What are you going to do?

We're going to have a guest on next week. We'll talk more about recession-proofing our finances then. I saw Good Gorning America was talking about recessions on Thursday. It's on everybody's mind. And I appreciate all these questions. I hope that my answers were somewhat helpful. And keep the questions coming, Instagram, email, the website. Every Friday, I'm here for you. And that's a wrap.

Thanks so much for tuning in. I'll see you back here on Monday. I hope your weekend is so money.

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