EPISODE 1380

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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 many episode 1380, Ask Farnoosh.

[INTRO]

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FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. It's July 8th, 2022. How's everyone doing? I hope you're looking forward to the weekend. Have some fun plans. Our daughter is going to be taking her first music class. I'm really excited about it at School of Rock. Isn't that cool? I mean, the movie is pretty awesome with Jack Black. But, I mean, I guess, I got to brace myself if she comes home wanting to play electric guitar or drums. I kind of set her up for it. But she's really into music, particularly singing. I don't know. We'll see. We'll keep you posted on how that goes.

All right, let's talk about what we talked about on the podcast this week, in case you missed any of the episodes. On Monday, because it was the holiday, I decided to air a really popular episode from earlier this summer. It was with Adam Seessel. He's the author of the book *Where the Money Is,* and a very timely conversation worth a replay because he talks about how to navigate this really, let's just put it bluntly, bad, awful, depressing stock market. If you're looking at S&P 500, which is down over 20% since its high in 2020, you might be thinking twice about whether to dip your toe into the stock market or whether to double down on your investments.

But Adam offered us some important reminders about how to responsibly and emotionally, intellectually navigate the market when it does its thing. If you think that the market is always going to be climbing and doing well, well, I hate to break it to you, but that's not how it works. In order for us to enjoy the gains, we have to sometimes go through these periods of loss. Adam came on the show earlier this summer, and I played it again on Monday to refresh us on how to navigate these really difficult times in the stock market and his best advice. We have actually some questions coming up from the mailbag about how to approach to the stock market, so more specifics in a moment.

Then on Wednesday, we sat down with Fran Hauser. She's a really good friend of mine. I met her many years ago, when I was trying to climb through my career in editorial and in magazine writing. She at the time, many, many years ago was the head of digital at Time Inc. She was the executive of digital and kind of took a lot of the big magazine brands like People and InStyle to the digital age, credited for that. Now, she is an investor in women-led businesses and also an author. So she was on the show previously talking about *The Myth of the Nice Girl*, her incredible book that looks at how to be nice in the workplace without being walked all over.

Because the opposite of that is the B word, right? You're either too nice or you're the B word. Fran kind of clears the space and says here's how to actually just be you and be appreciated for you, whatever your personality. But if you are somebody who tends to be nice, remember being nice, how that can be actually a great strength in the workforce and something to be admired and really a strength to help you climb the ranks. So that was *The Myth of the Nice Girl*. It's translated in a bajillion languages.

Now, she has a new book, a workbook actually called *Embrace the Work, Love Your Career*. It's a go-to for women seeking more joy and fulfillment in their careers. I thought it was a really important time to be talking about this because people are going through some transitions in their careers. We had the great resignation last year. We have the great reshuffling this year and timely because we also have a question this week. I'm going to talk about it later in the episode. A listener wants to know how to feel more comfortable about pivoting in the job market, which I mentioned.

Okay. So go back and listen to those episodes if you haven't already. I got to do my due diligence and make sure. That's the homework every Friday for me is to tell you what the show was all about this week. Let's go to the iTunes review section and pick our reviewer of the week. This person gets a free 15-minute money session with me as always. This week, we're going to give a shout out to Pnidream, who left a review last Friday, calling the show informative and relatable. It's a pretty long review. I'm not going to read the whole thing, although I'd like to. But

I'm going to spare everybody all the accolades. You get the picture. She likes the show, or he likes the show.

Here's what they said, “This is a great podcast. I've been listening for a few months now, and I thoroughly enjoy listening to Farnoosh. She speaks to you like she's talking to a friend. She's transparent in her podcast. She shares her life experiences, which I appreciate.” This person also said that I'm not boring. I love the Thank you. I'm not boring. “I've listened to other money podcasts that make me want to fall asleep.” I got to say that's as good as a compliment gets in this sector, in this industry of personal finance advice. If someone says you're not boring, you're doing something right because it tends to be pretty boring. “I love her enthusiasm for the topics and her professionalism is something I aspire to possess. Will definitely be sharing this podcast with family and friends.”

Thank you so much for this review, my friend. Pnidream is your iTunes name. Let’s get in touch. Email me, farnoosh@somoneypodcast.com. You can also direct message me on Instagram. Let me know you left this review. I'll send a link for you to pick a time for us to chat about whatever you want. Everybody, if you want to support the show, if you want to connect with me possibly, leave a review. It's the best way. Every week, I talk to somebody new. It's such an opportunity for me to get to know more intimately who's in the audience, what you're concerned about, what you're caring about, how you're growing, and it really informs my everything. I mean, how I write, how I podcast. So this is really a selfish thing. It's a selfish ask for me, to be honest, to be able to talk to you and pick your brain and learn about you. But anyway, thank you so much for the review. Please get in touch, and I can't wait to connect.

All right, I have a newsletter. In case you haven't been subscribing, I'll put the link in our show notes so that you can get the scoop every week. I promise not to bombard you. It's once a week. It's a personal essay, plus some must-reads, plus my favorite thing of the week. I'm going to share you a behind the scenes of this week's newsletter. It came out yesterday. It's usually every Thursday. My favorite thing this week, and sometimes it's a book or an app or a show ,a podcast, a thing that I bought on Amazon or wherever, my favorite thing this week is Only Murders in the Building on Hulu.

Raise your hand if you're listening to this show. By now, you probably know that I watch a considerable amount of television. I mean, maybe not as much as others. But for me, given like what I've got on my plate, I always end up squeezing some time for TV. It's my time for myself. So this show, I wasn't into it like initially. I saw the promotions for season. I mean, I like Steve Martin. I like Martin Short. I like Selena Gomez. But I just didn't understand how these three were cast in a show and how it's going to work. So I didn't get into it, and then I just started seeing more articles about it, especially now that they're in season two. I said, “Okay, let me give it a shot.”

First of all, the show takes place in New York City. That's one, and I love that. Secondly, it's a crime drama. While I'm not one of those like true crime enthusiast, I don't watch all the true crime stuff on TV, this is a really interesting crime drama. They also make references to podcasts. So here's the plot. These three, Selena Gomez, Steve Martin, and Martin Short, they’re residents in a giant historic building in New York City, the Upper West Side. It's actually – They filmed it at the Apthorp. If you're familiar with the Upper West Side, I think that's on Broadway, between 78th and 79th. There’s a murder or a death in the building, and they suspect it's a murder.

So these three, who are obsessed with True Crime podcasts, start to trace and try to follow the crime and see who did it. All the while, they're recording a podcast of their own called Only Murders in the Building. So that's cool with a podcaster to feel like I understand the mechanics of what they're doing and a little bit of the podcast talk shop. I just love shows, again, that are placed in New York. It's got the true crime angle. It's got Steve Martin, who's hilarious. I don't know. It works. You wouldn't think it would work this combination of actors, but it really, really does.

A fun fact, 20 years ago, I saw an apartment in the Apthorp where they film this series. As I said, it's an historic building. There's probably ghosts in there. I saw this listing for an apartment and this was, again, like 20 years ago. I want to say 2003. It was a studio apartment. I walked in. It was like, I don't know, 15 by 15 feet, small window looking at a brick wall, definitely the smallest unit in the condo. I think I was told that it was a bedroom attached to the larger apartment next door that they turned into a single, independent unit. Then the asking price was 400 Gs, and I walked right out.

I thought the Apthorp is such an historic building. It's such remarkably – I don't know. It's majestic. If you've ever been, and it's got this massive courtyard, the opportunity to maybe just sit there for an afternoon or live there. I was fantasizing a little bit. But when I saw the condo, I was like, "This is going to depress me, plus there's probably ghosts." $400,000 but I wonder now what it's going for, especially with a lot of the spotlight now, again, on it. Anyway, Only Murders in the Building. Let me know if you're watching it. That is that.

All right, let's go to the mailbag and answer your money questions. Okay. That's what you're here for. First up is our friend, Veal-Keen on Instagram, "Farnoosh, how do I pick a mutual fund during this bear market?" All right, so you're asking for a very specific investment tip. I don't give specific investment tips, as far as buy this, buy that, don't buy this, don't buy that. But I will say that, generally, when you're picking mutual funds, and I'm not really into picking things, I just go on the investment platforms. I take the survey, as far as like what my risk tolerance is, my timeline. I let the algorithms pick it out. I let the robots do the work. That's my preference. I don't assume that I know better than the technology, frankly.

But you probably heard that if you're going to follow an index or a market, the S&P 500 is very broad. While it's not doing well right now, it is, as I said, a cycle. If your goal, Veal-Keen, is to ride the market for many years, this is actually an opportune time. You could look back and say it was an opportune time to get in low. Now, don't conflate this with, "Farnoosh told me to time the market and get in low. Here's the opportunity. Here's the window." No. But what I am saying is that I have a pretty good hunch that in 5, 10, 15 years, we're going to look back at this period, this window, and say this was a low point. Maybe it wasn't the lowest, but it was a low point, and your investment will grow over time. That I am confident of.

So getting in now, don't worry that it's a bear market, if your goal is to invest for the decades. You can follow an ETF that tracks the S&P 500. You can get an ETF that follows the S&P 500 virtually, any online brokerage, any online robo-advisor. Many of the big investment firms sell them. I won't go through all the lists, but you can literally do a Google search and say most popular S&P 500 ETF, and go from there. Do a little bit of research.

But if you are looking to create a more diversified portfolio, if you don't have any other investments, I wouldn't just look at getting an index fund. I would look at opening up an account through one of the robo-advisors and letting them pick for you a selection of ETFs or index funds that track not just the US stock market but also perhaps some international exposure. Maybe also some bonds. Put some of your money in cash to create this diversified portfolio for you. That's what I would do. That's what I have done. I don't cherry pick funds. But if you're going to pick one, and you want to be diversified, and you want to ride it out, S&P 500 is my choice.

All right, next up, The Real Heather X, “Is it worth it, Farnoosh, to buy series I bonds if I can only buy $100 at a time for the next few months?” I wanted to really make sure that I hit on this question because I think we're on the same wavelength here, The Real Heather X. Or can I call you Heather? I know that I bonds are extremely popular right now. I think I was reading in the Wall Street Journal this weekend, last weekend, that the demand for I bonds has gone up 3x, obviously, because they – What is an I bond? Let’s just take it down a notch, right? Let's just define I bonds. These are secure government-backed investments. They’re sold directly to the public. It tracks your cash alongside, wait for it, inflation.

So inflation right now is over 8%, 8.5, 8.6%. The I bonds, they adjust twice a year. They track to inflation. I think the rate right now is over 9.5%. Yeah. I mean, you're not even going to get that return on the stock market right now. But you could get a 9.5% return on your I bond investment, which is guaranteed. But there are catches, right? Nothing like this is going to come to you at no cost or no sacrifice. The thing you want to think about before you take on an I bond is that for the first year, the money is locked. You cannot go back in and, “Oh, I changed my mind.” I mean, no. The government has your money for at least a year.

After that first year, you can start to take money out. But if you take money out before five years, you lose the last three months of interest earned, which may not be a huge dent. But if you, Heather, need this money now, and you need to be more liquid, if you can only spare $100 a month for the next few months, my question to you is, do you have any other money in your savings account that could cover you in case you lost your job or you had a car broke down or you had an emergency home repair, right? If this is money that you don't need, that if you lost it, let's just say. You won't lose it in an I bond. But like if you just like forgot where you put it, didn't have it, it's gone for a year, would it really be a problem? If not, then I think it's fine to put a little bit of money in an I bond.

I don't – I'm actually reading a piece right now for CNET on when it makes sense to save in certain ways. So there are certain people that would qualify best for an I bond, in my opinion. Then depending on your goals, it may make more sense to keep it in a bank account that's liquid that you can access at any point at no penalty. Or it may make more sense to invest, depending again on your goal, your time horizon, all of that. I think that I bonds, although I tout them and I talk about them, I have yet to dip my toe in the I bond market. It's not because I don't think they're valuable for us. But I think the reality is that we invest for our future, and then we have money for today. We don't really have a lot of like midterm goals at the moment. If I was going to, let's say, throw a bar mitzvah for one of my kids. We're not Jewish, but I'm just making hypothetical cases. If we were going to go on a vacation in two years, like a big family reunion sort of thing, which takes time to plan. I know a lot of us on the show listening are like planning other sorts of events, weddings, graduation party, whatever. If this is not money that you don't need for at least another year to a year and a half, then you could put it in an I bond, and it would at least preserve its value as inflation figures itself out.

Next up, Vaness. How to be okay when you make the decision to pivot with career choices?" Yeah. So I wish I had more information, Vaness, on your decision or what you're thinking of embarking upon. This is a very difficult question to answer without some more information. I have a lot of follow up questions to your question, which is like what are you thinking of doing, what are you afraid of. Now that said, any move to a new career path, which I did early on in my career, can be scary. It's anxious. You can get anxious. There are a lot of unknowns.

I think that for starters, there is a certain level of faith in your capabilities that is required. You're taking a leap of faith. So if you believe in this move because you are drawn to it, it's almost inexplicable. I remember when I was in college, and I was studying finance, and I thought I was going to go on to get a job at a bank. I realized like three quarters of the way through, I was wrong. I needed to find a new path, but I also didn't want to throw out my whole education to pivot. I wanted to leverage my education and pivot as carefully as possible. So I thought, "Okay, I really want to go into journalism. So let me pivot into financial journalism because that felt like a really good way to bridge everything."

My pull to journalism was very powerful. I remember writing essays to all the schools, journalism schools, and just crying. They'd ask you like, "Why do you want to be a journalist?" I'm like, "Oh, my God. Let me tell you." It was just this thing that I think I had this emotion that I had bottled up inside, that I hadn't given proper attention. Because for many years, I was told like being a journalist was basically a financial death sentence. You're not going to make any money. It's so competitive. It's not conducive to having a family. So I shoved it underneath, and I was like, "Well, I can't this." This is a passion, and this is kind of my calling, but I can't do it, and I'm not going to entertain it because I think I'm going to be setting myself up for failure.

But eventually, it just kept gnawing at me, and I was brave enough, I guess, in junior year of college to say, "Okay, I'm going to take this a little bit more seriously," and at least start to see what my options are that would be practical because we Torabis are very practical. I thought, "What would make my parents okay with my deciding not to pursue business?" I thought, "Well, if I get into an Ivy League journalism school, maybe that'll do it," and then it did, and it worked out for everybody, let's just say.

But I guess all this to say, Vaness, that there is some faith that isn't required to trust your instincts. But also, I would be lying if I didn't tell you that you need to have some savings. Because when you have savings, and you're making a big shift in your life, and there are some unknowns, the savings will allow you to have the freedom to experiment and the freedom to say, "This isn't working out for me. I'm going to reroute." The last thing you want is to make a pivot, get there, realize it was a mistake, and you're stuck. Because you don't have the – You can't afford options now. Maybe you've used up all your affordability to make this pivot.

So save some of that money that you're saving right now for the off chance that you go to this new career path, and you're like, "Nope, not for me." But I will also remind you that it may not work out the way that you're envisioning. But that doesn't mean it's a mistake. It won't mean it's a failure. It's just that sometimes we're wrong about what we think we want or what's going to make us happy. So be open to the new experience and what it's going to teach you and where it's going to take you.

I'm the kid that moved a lot. I was the new girl in school a lot, and change is just in my DNA. We Torabis – It started with my parents immigrating here and shifts, pivots, moves. It's just what we do. Maybe that's because we're nomadic. I don't know. But I think that the more you do it, the better you get at it. But the more you learn too about the fact that things won't work out the way that you think ahead of time. But that's kind of part of what's exciting about it. It's, again, why you have to have faith that you're going to be able to muscle through and keep your eyes open for other opportunities. You go in with one set of goals, but maybe other things come up. I just want to encourage you to take those opportunities and chances as they arrive when they make sense.

But, yeah, have some money in the bank too. Have some money in the bank too. Maybe like a one to three-month reserve in case you want to get out of that and go back to what you were doing or try something new. But having that financial flexibility is really, really important, especially right now. Again, I don't know what industry you're trying to go into. If you were telling me I want to pivot into crypto, this might be a whole other piece of advice that I'm giving you. So if you want to follow up, Vaness, with some more specifics about your pivot, I'm happy to help.

I'll give you one resource. It's a book called *Pivot* by Jenny Blake, who's been on the show many times. She's a leadership and career and entrepreneurship expert author. Go to pivotmethod.com. Her book is very popular. It's helping everybody from entrepreneurs to business leaders and people like you to feel and be confident as they make changes in their careers and take on new challenges.

All right, last question is from Masa. Masa says, "Farnoosh, I'm a longtime listener who loves your podcast." Thank you, Masa. She is a bookkeeper with 20 years of experience. Here's the question. "I recently left a very toxic job where I made $70,000. I took a drastic pay cut to $60,000 to be in a much healthier environment. However, I failed to negotiate a higher salary and hoped after the probationary period that I would be able to negotiate for more money. Unfortunately, the pandemic hit, and this didn't happen. I recently learned that my predecessor, a white male, was earning $74,000. Of course, my workload is three times what he is doing. I'm a Latina, 48 years old. I live in San Francisco. My annual review is coming soon. Please help me with any insights to negotiate for more money. P.S. do I mention in the review that I know my predecessor made? $74,000?"

All right. Actually, this is a question from Amy. A question from Amy, not Masa. I made a mistake on that name. Masa has a different question, which we'll get to in a minute. So, Amy, here's what I want to say to you first. First, I'm proud of you for leaving that toxic job, okay? You put your health first, and that's more important than money, although we'd also like to get paid fairly. So let's talk about this. Okay. That you're not the first person, unfortunately, and I guess I shouldn't be surprised. That says to me, “Farnoosh, I'm getting paid less than a man.” Here's what I want to say about that.

This predecessor doesn't work at the company anymore, so it's going to be really hard for you to prove what you know. I mean, do you have his pay stubs? Even if you did, I'm not really sure that is the best way to have a productive conversation about compensation. I mean, it's not cool. If this is true, totally not cool. Your company, I would question its culture, and I would question its policies, and I would look into it and see if other women at work are making less than men. But I think for any negotiation, when it comes to salary, the most powerful thing you can do is talk up yourself, your value, your contributions, and looking at the market in general.

The competitive marketplace, their competitors, other bookkeeping firms in the area, what are they paying people with your expertise, experience, all of it, right? Using that as a benchmark, as opposed to I understand that this previous person – It’s just one example. To make it into a whole case about just pay discrimination, it's going to be a fight that I think I'm not – You know me. I want there to be pay equity, of course. But this could create more grief for you in the end than a win. But I think what could be more beneficial and productive and successful for you is to list – Again, 20 years of experience.

I started this job, and my understanding was after this first few months, I'd have my review, and I'd have a real opportunity to make more money. I think reviews are those opportunities to state your case and ask for more. Don't make it about me versus him who's not even here anymore. Make it about Amy. I'm here. Here's the work that I've done, the clients’ work that I've helped with. If you came in with certain expectations or your employer hired you with certain expectations, have you exceeded them? That's something to point out. Keep a bulleted list of your accomplishments.

I do this. I keep a Google doc of all my wins. Not because I'm shouting them from the rooftops every day but because it's important. You forget sometimes how great of a job you do. If you forget, how is your employer supposed to keep track? They got a million people and a million things to do. So you are the best advocate for yourself. Go into that review. Talk yourself up. Do a little research on sites like salary.com, payscale.com, and see what other bookkeepers in your zip code with your experience are making. If you're making 70k prior to coming to this job, and it was in the same industry, same geographic location, I would think that that too is substantive to show.

So I wouldn't make it about your predecessor making 74k. You didn't say how you learned this information. I trust that – I have no reason to doubt this, right? But it's just one of those things where you're new. If you bring this up, it could be seen as threatening to your employer. Who knows how your employer is going to take it? Ideally, they take it very well, and they say, “We're sorry,” and they give you all the money. But I just don't see it working out that way, and I try to be optimistic about these things.

But if this was a trend, if this was a pattern, again, maybe you just sort of keep this noted. As you talk, anecdotally, with men and women in your office, you could start to investigate this and then bring this up at a later time when you have more evidence, and you have more data. But right now, make it about you, your accomplishments, what you were making previously, and what the market is paying for your expertise.

All right, now we're going to go to Masa, last but not least. Her question is, “I started investing in a 401(k), which I was maximizing late in life. How to catch up?” Well, I don't know your age, Masa. But I know that once you hit 50, you can increase your contributions annually. I think it's an extra $6,000 that you can contribute to your 401(k) or a 403(b). It’s a catch up contribution. So if you are in your 50s, this could be something that is available to you. Now, I'm not a big fan of financial rules of thumb. But I know as human beings, we gravitate towards these rules of thumb because it gives us a sense of like where we stand and maybe where we want to work towards.

It’s always good or fun or exciting. Or I don't know what you want to call it. What's the adjective? Like it's interesting to see how we're doing compared to like the “general advice.” The general advice is that by 40, you want to have about two to three times your salary saved in a 401(k) or like your average salary that you've had over the years of your career. Now, this is such like a grain of salt sort of thing. Because if you've had career transitions, if you've been in school for a lot of your life, obviously, like you can't really hold this to account. You have to be kind to yourself. Don't say, “Oh, I don't know have it. Oh, I'm so behind.”

But I'm just putting that out there because if you've had a pretty straightforward career, you've been making money, you've had access to a 401(k) since your 20s, and now you're in your 40s, thinking about like, “Okay, where am I? Where do I need to go in terms of investing more?” The rule of thumb is to have about twice your average salary earned over the years saved in a 401(k) or whatever retirement plan by your 40s. So if you're not there and you want to do more, before you start to invest more, run the calculators, right? I'm going to take a sip of water. Run the calculators and see where you stand, and I'll put some calculator links in the show notes. But it's important to understand that you may not be behind. Depending on when you want to retire, how much you already have saved, where you're going to live, what your expenses will be, if you plan to work part time in retirement, there are all these levers, right? All these different variables, depending on all of these things, you may not be as behind as you think.

This is such a big question everybody has. But run the calculators and see where you stand. The calculators are going to want to know all the things I just talked about. But also, what will be your Social Security payout at retirement, your estimated payout, which you can actually go to the Social Security website and find out within minutes what your estimated payments will be in retirement, depending on when you start collecting. That's helpful.

But if you do all that and you realize you've got to play catch up, maybe it's rather than the rule of thumb of investing 10% of your income, you're doing 20% of your income. Late Starters, late, I'm using air quotes, starters to retirement investing, those who are getting started in your 40s and 50s, two things you have to consider, investing more or retiring later or both. That's the reality.

All right, everybody. Those are our questions for the week. Thank you so much for joining. I'm Farnoosh Torabi. As always, just send me your questions. You can email me. You can direct message me on Instagram. I look forward to being back here with you on Monday, and I hope your weekend is So Money.

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