EPISODE 1386

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[INTRO]

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FT: Welcome to So Money, everybody. It's Ask Farnoosh Friday. I'm your host, Farnoosh Torabi. Welcome, July 22nd, 2022. 7-22-22. How's everybody doing? Did you listen to the episodes this week? I have to say we had some popular episodes this week. Anytime we talk about housing or real estate on a podcast, people tend to tune in, and we did just that on Monday with our very own Alix Langone, a CNET writer, who wrote a really wonderful piece, a broad look at the real estate market, and answering this question. Should you buy a home this year? Or should you maybe wait?

There are some competing factors, right? There's rising interest rates, but prices are coming down a little bit. There's not as much competition. It's still a pretty heated market. Don't get me wrong. But are we at the levels that we were last summer? Not quite, especially in certain markets. But Alix did a really nice job of sort of walking us through the various considerations from, obviously, rising interest rates and home price trends and also your personal life, right?

At the end of the day, this is the biggest purchase most of us will ever make, a home. Whether we do it or not really should come down to our personal needs and goals, not so much kind of like where interest rates are because as we know, if you're in this home for a long time, you could always refinance. If you remember a generation ago, our parents, if you're my age, they bought a home most likely with a double-digit interest rate at one point. So it's all relative, and I really want you to go back and listen to that show because a number of the questions that were in our mailbag for this week were about housing. Should I buy a home now or wait? If you had that question or if you're thinking about that, please go back and check out our Monday episode with Alix.

Then on Wednesday, Nick Maggiulli stopped by. Nick is our data guy. He looks at personal finance and investing through the lens of numbers. I love that because often we don't do that, right? The layperson is not looking at historical data and pricing charts and trends. This is Nick's – This is his love language. Data is his love language, and he has a new book out called *Just Keep Buying,* which looks at everything from real estate, which we just talked about, to investing, to even big purchasing decisions, and how to make them with more data context.

Because while it's not the most important thing or the only thing that matters, I think knowing what history can teach us, as far as how prices have been and where things are headed, it's important context to make financial decisions. So how to make healthy, smart choices using that data, Nick Maggiulli on Wednesday.

Okay, let's go to my favorite part of the Friday show, is the reviewer of the week who's going to get a free 15-minute money session with me. Our winner this week is kimzilla6, who wrote a review, let’s see, I think it was last week, calling the show thoughtful and insightful. Here's her review. “I have been really enjoying this podcast recently. I'm in my early 30s, and I find myself thinking about money often. Am I doing the right things? What are my goals and values? The guests offer helpful insights, and the topics are very interesting. The most recent episode about death and money was thought-provoking and somehow not upsetting at all. I also love the Ask Farnoosh episodes. It's wonderful how considerate and thoughtful Farnoosh is in her approach. So Money makes me feel less alone in my financial pondering. I will definitely keep listening.”

Well, thank you so much, Kim. I love that you thought the episode on death and money wasn't all doom and gloom. When I spoke with Jordan Grumet, who was our guest on that particular episode, he came with a very, I think, calming – Can I even say that? Calming approach to this idea of our final days and how we can make the most of our time now so that those final days are filled with fulfillment and joy and less regret. We talked about money, of course, and what are the financial reflections that people have, as they approach the end of their lives? What makes them feel proud?

Jordan offered, I thought, some important reflections. He is a hospice doctor. So he talks to patients who are at this stage in their lives, all of the time. His father passed away when he was young, and so he has a relationship with death. Let's just say he knows it well. He said, “I want everyone to know this thing about death, which is,” and I'll let you listen to the show to find out. How's that for a tease? But it was a really powerful reflection that he had, so appreciated, and I think is what our reviewer is referring to. That it was not that upsetting. Anyway, kimzilla, thanks so much for being in the audience, for being such a thoughtful listener, for hanging around. I hope that I can help you with your money questions. You can email me, farnoosh@somoneypodcast.com. You can direct message me on Instagram. Let me know you left this review. I'll follow up with a link where you can pick a time for us to chat.

If you want to be next, all you have to do is leave a review, and there's a very good chance I could pick it because I'm not getting like 1,000 reviews a week. I get a few, and of those few, your odds are pretty good of getting picked for a free one-on-one consult with me. It's about 15, 20 minutes, which may not seem like a lot of time, but you'd be surprised how much you can get accomplished in that time. Then as I always told my friends, I leave the door open. Let's keep the conversation going. You can email me. You can use this show as a way to share your concerns and questions, and I will respond. So anyway, thank you so much, Kim. I look forward to hearing from you.

Some personal stuff. I'd like to share once in a while some personal things going on in my life that's relevant to you. I have been catching up on some health appointments. As many of us experienced in the last two years, we didn't really have time or the ability to go see our doctors and get the full physicals and the breast exams and all of that. I've been catching up. I got to say I've been doing a pretty good job of just doing my overall health maintenance in the last two years and talking to doctors.

A couple of weeks ago was the first time I actually designated a primary care physician. Do you have one? This may seem very normal for a lot of people. But I think there are people like me, women in particular, where we go see our female doctor, especially for looking to have kids or pregnant. Then we'll maybe go make an appointment once in a while to see a dermatologist. We’ll go to the dentist. But there is not that one doctor in your life that is that consistent go-to physician who has access to all your medical records, is doing routine blood work, is the person

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that you can call when you're unsure about a mole or whatever, who can then refer you to specific doctors. I've never really had that person in my adult life. Is that strange?

Well, it's not great, and it was actually my OB-GYN who I saw last year, and she was like, “You really need to get one. You're in your 40s now. And, yes, I can, obviously, catch a couple things, and your breast exams will catch things. But you really need that designated primary go-to doctor.” So now that we've moved and we're settled in, there's this great health clinic nearby, and I was able to hook up with a great team of doctors there. So that's important. I want to share that if you are not someone who has a primary care physician, you might want to look into this. If you have insurance, take advantage of it.

Then this week, I got a mammogram, which is my public service announcement to everybody who is a woman over the age of 40. You have a woman in your life that you love whose age 40 or above. Encourage them to get this annual often free mammogram. Your insurance will cover it. If you have history in your family of breast cancer and you are not 40 yet, you might want to get checked out even sooner because as we learned with all sorts of disease, prevention, early detection is such a lifesaver sometimes. I will also say that in my late 30s, I had a bit of a scare. I felt a lump, and I immediately called my doctor. She immediately got me in for an early check because normally at 38, you don't go in. But if you do feel something unusual, of course, they will get you in.

I was so scared between that appointment getting booked and then actually going to that appointment. I was so afraid of the what ifs. But I will say that there's nothing better than just going to the doctor. Even if you get the news that you're hoping you're not going to get or that you're scared of, it's better than to just be there in the dark and afraid with these feelings of insecurity, uncertainty. Get checked out because even if there is something to address, you're catching it earlier than later, and that can be a lifesaver. So I'm just here to share this personal story because I want to encourage everybody to take and prioritize their health.

I will also say that doctors are getting fast booked. To get a dermatologist appointment in 2022, I called this week. They said, “Okay, the earliest is November.” That’s because I think a lot of us are finally catching up. So better just to get those appointments on the calendar. Maybe you can get in a little bit earlier, if there's last minute drop outs. I'm hoping. Hopefully, I can go get my

DERM appointment before Christmas. But you know what? Better than the Never. So just my Friday PSA, health is wealth, y'all.

Okay, let's talk about your money questions this week. I noticed a theme around affording parenthood and raising a child. I touched on this a bit last week, and I think that sparked some follow up questions from the audience, so great. We'll get into it and then also how to select the 529 plan and a question about 401(k) rollover. So let's start with those family planning-related questions.

First up is Mandy. “Farnoosh, besides OB-GYN and hospital expenses, what other expenses, costs should be considered for a baby delivery?” Very smart to review your insurance coverage ahead of time before you go in for your delivery, whether it's scheduled, or you're just going to go when it's time to go. I would even suggest asking your OB-GYN this very question, Mandy. So I'll help you with some considerations, but definitely talk to your doctor about this too.

Because FYI, your doctor, whether it's your OB-GYN, your dentist, your eye doctor, I learned this important fact, reading Consumer Reports one day, and it is this. Your doctor takes an oath to give you the best medical advice and to do what is best for you. We know this. But this also includes, something we don't always know, being transparent with you about what things will cost and how you may be able to better afford treatment or care. So in other words, your doctor is also your fiduciary, right? Your advocate, your financial advocate.

Everybody listening, never hesitate to talk to a doctor about, for example, anticipated bills, how much something is going to cost, and alternative ways to get the same great care within your budget. So whether it's a prescription, is there a generic form that you recommend that is safe, that is effective, but a lot more affordable? Is there a surgery that I can get that whatever? You’re telling me it's going to cost $20,000. My budget is $3,000. What can we do?

I'll tell you a quick example with my dentist. I may have shared this story before, but it begs repeating, which is this. I had to get – I think it was a root canal or something, and it wasn't super urgent. I was also – It was towards the end of the year when, as we know, your insurance renews the top of the year, and your coverage starts over at the beginning of the year. So you

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have more coverage at the beginning of the year than probably at the end of the year because by then, assuming you've used up some of your allowances.

All this to say that I was going in for a dental procedure, and it was going to be thousands and thousands of dollars. I said, “Hey, Doc. Can we make this less expensive somehow? What can we do?” Literally, I didn't know. I just said what can we do? This is kind of crazy. He goes, “Here’s what we can do. We can split this procedure up over this year and next year.” So it was November, and he said, “Normally, I'd have you come and do the follow up procedure in six weeks. But let's make it eight weeks. It's still safe. By then it's January, and your insurance has re-upped, and it will cover more of this expense. So we're going to go from paying thousands of dollars to maybe just under $1,000.” I said, “Brilliant. Let's do that.” It would never have happened, had I not spoken up and said to my doctor, “Hey, I want to save money. What do you suggest?”

That’s the thing to keep in mind. While your doctor may know that they're there to be your best advocate, they may not always proactively say, “Hey, there's a cheaper substitute or a cheaper way to do something that is going to be just as effective, just as healthy and safe.” So do that due diligence, anytime you're in for a procedure or a costly – For any cost related to your health and your medical expenses.

Now back to you, Mandy, because I've been through now two baby deliveries. So talk to your OB-GYN about this. I've been saying that – It’s hard to say OB-GYN. Some of the costs that the hospital may charge that I know, personally, related to a delivery, one, your stay, obviously. You're going to stay in the hospital to deliver this baby. But what your insurance will cover may be specific to your insurance policy. Not all insurance policies cover the same amount of time. So this is important because when you check in to deliver your baby, sometimes that's when the clock starts.

That's why my OB-GYN said to me, “Farnoosh, don't come to the hospital immediately when you're experiencing like your first contraction. Better to wait until your contractions are really close or if your water's broken because at that point, you need to get some attention. This is the time to come to the hospital.” Financially, also, it's important to keep that in mind. Because if you come in any sooner, that clock has started now, and your two-day stay is now maybe a three-day stay, when it really doesn't have to be. You're going to get billed for that extra day because your insurance company says, "We only cover, say, 48 hours."

This is important because an extra day at a hospital could be thousands of dollars, and that could be out of pocket. Listen, when you're delivering a baby and the hours before and the days after, you're not in the mindset of like, "Let me go and ask the hospital questions or look into my insurance policy." This is the time to do it when you're anticipating having a baby. The other thing I want to talk about is another personal experience, which is that the night I went into the hospital for my first kid to deliver because my water broke, because my doctor said, "Come on in." It was 12:30 in the morning. The front door to the hospital, Upper West Side closed because it was 12:30. But the emergency room was open, and they directed everybody to the emergency room at that hour. So we went, obviously. We follow directions.

The weeks later, when I got the itemized bill from my doctor, and the insurance company had paid for almost 100% of it, it had said, there was a line item, "Entry through the emergency room," and I think it was $1,800, which, luckily, the insurance company paid. But if I was the insurance company, I would have questioned that like, "Why are you charging patients this cost? There was no other way to enter the building. So I'm being punished because you chose to not service the main front door." That's the kind of scrutiny that I think isn't happening, or some insurance companies do it, though.

Depending on how scrutinizing your insurance company is, you got to watch out for these things. Just if it does fall on your lap and it does become something that you have to pay out of pocket, those are some red flags. I would assume that you could contest to that because there wasn't really an alternative. It's just kind of a gotcha cost, I think. It's my opinion. Luckily, again, my insurance company paid for it. But I was like, "Whoa." Imagine if I didn't have insurance or I didn't have an insurance company that was graceful enough to cover that cost. Anyway, go back and talk to your doctor about this. Your doctor has delivered hundreds and hundreds of babies, and has probably faced a lot of questions like the ones you're going to ask, and has way more tips and advice to give you than I will ever be able to. So talk to your doctor.

Next step is Kat. She emails. You can email me too, farnoosh@somoneypodcast.com. "Farnoosh, wondering if you have any advice on how to prepare for maternity leave as a self-employed individual. I'm seven months pregnant with our second kid, and I'm getting nervous taking time off when the baby arrives this fall. Also, I'm in the process of moving into a new house, and our expenses will be increasing as my income will also be disappearing for a while. Any tips are welcome."

All right, Kat. Again, I was in this boat too. I was self-employed for baby number one and baby number two. This does take some planning to the best of your ability. Number one, you have to look at the math and review your savings. How much time you're going to be able to afford without working is going to come down to the math, right? Looking at your savings, what's coming in, what's going out, and looking at how much, ideally, time you'd like to take off. What is that going to cost to kind of keep the household running to also cover some of these expenses? Try to anticipate some of those housing costs. You might want to put off some of the work that you want to do on the home that's not necessary or urgent for maybe year two or year one or year two. Not right away because, yeah, I agree, like it's a lot to be not working and then having those costs. So just being really clear and maybe even overestimating what you're going to need so that you have that padding, as you go into your maternity leave.

I took off about eight weeks, and I anticipated it. I saved for it. The second advice is to prepare your clients for your absence. Managing your client expectations, as far as when you're going to be offline, is very important so that you can get back into the swing of things smoothly. Start to make some appointments and schedule meetings for month two and three or four or whatever you anticipate wanting to have off. The week after that, the two weeks after that, start making a couple of appointments to ease yourself back into the workflow. Then it's also great for your clients to know, "Hey, we're going to talk to you in 8 to 10 weeks," and they can plan for that. I'm not going to drop off the face of the earth. So you can pick up where you left off.

I booked a conference. I went to FinCon after – I think it was two and a half months of delivering my first baby. I considered it kind of like a coming out party. It was a great way to see people again and be inspired. It's where I got the inspiration to start my podcast, believe it or not. I kind of went in with open mind and listened. Eight weeks is not a lot in the grand scheme of life and your career. But when you're self-employed, it can definitely feel like forever. When you're out of that period, there is a bit of a reacclimation.

First, review the savings that you have. Maybe you learned that you want to pare back some of your expenses now to create more of a cushion for you while you're away from work. Or that you have enough, and you can have more peace of mind. But you have to look at the numbers. It can be scary, but do it now. You've got months before this new arrival. I wish you and your family all of the best luck and health, smoother delivery. Thank you for trusting me with your question.

Next is Kate on Instagram. #kateorwhatnot is her handle. Kate's baby is one, and she and her partner want to own – They own a home, she says, but the schools are not great. “We can afford to upgrade now. Should we buy now or wait it out?” What I'm going to tell you, #kateorwhatnot is go back to the Monday episode and listen to Alix talk through some of these considerations that these homeowners right now, or I should say prospective homeowners looking to buy, should consider before they do and to decide whether to do it now or later. This sounds like you're in that camp.

But your baby is also only one year old, and I don't really sense a huge urgency to move yet. Kindergarten is probably when your school district begins accepting enrollment, and you have a few years before that happens. So in the meantime, you're probably going to have to lean on private alternatives like private pre-K or daycare, which you might like in your neighborhood. So this idea that you have to work quickly may not be the reality in your case. That’s a good thing because that buys you time to plan and think and, “Hey, maybe we, I don't know, rent out our home, our existing home, and go rent in another town where the school districts are better,” because you may realize that renting affords you more liquidity, more flexibility. I don't know what you'll end up deciding. But I think that when you have money, plus time, that equals the opportunity to really think things through and not move with this adrenaline.

Just personally, I'll put in a personal story here, when we were living in Brooklyn, I didn't love the public schools there either. I had this in my mind that at some point, we were probably going to leave and go to a suburban area where schools were free and much more resourced, especially for him. My son needs extra help at school. We did private school for a little bit. But then, ultimately, I did the math, and I said we could go to private school for the rest of his education here or we could move. Then school is free, and we have a million dollars waiting for us in retirement.

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That math, to me, was very clear cut. You may discover the same thing that maybe you love this area so much. You love your home. You want to do private school for a little bit. Maybe that'll work out for you financially, instead of moving, because moving is not going to be free. It's not going to be, I should say, without its costs. So you may decide that it's better for your family to stay put and look for a good private school instead.

All right, next up is Bedazzin' on Instagram, "Guidance for selecting a 529 plan, Farnoosh." All right, love these straightforward questions. Once in a while, we do get them. Last week, someone asked about stock splits. I like to just sort of go into definition mode and practical straightforward advice mode, which isn't always emotional. Let's back up. What's a 529 plan? For those of you who are maybe new to this, this is essentially a state-sponsored, tax-advantaged investment account that helps parents and families save for their dependents' college education.

Sometimes, you can put the 529 in your own name. But most cases, it's for the children. The way the money is invested, usually, they're invested in target date funds, which become less risky as you get closer to your goal or closer to the point where you want to use that money. The question is how do you pick one? So they're state-sponsored, meaning every state has a 529 plan. But whether you live in Nebraska, or Idaho, or Pennsylvania, or New York, you can choose whatever state's plan you want.

I say the first step is to look at your own state's plan. Because sometimes, there is an advantage to investing in your own state's plan. As a resident of that state, you may receive some state tax benefits. Okay, so your contributions may be tax-deductible within that state. Okay, so check that out. I know New York is like that and some other states. If you want to invest in the New York plan but you live in Idaho, you may not get that tax benefit, that state tax benefit, because you're not a taxpaying resident of New York.

After that, you could look at all of the states and see what makes the most sense. There are two websites I'd recommend you check out. One is College Savings Plan Network, and the other is savingforcollege.com. Both sites are hubs for information on 529 plans, and they provide detail, state by state listings of plans their features, in some cases, their historical returns if you're interested in learning about what funds in which states have done the best historically. So that's how you can go about choosing a 529 plan. You can also open one up directly through that state's website. Every state has a website for that 529 plan. Okay.

All right. Last but not least, the Real Claudia Scott. “When you separate from your job, and you roll your 401(k) into an IRA, does it go in as cash?” All right, Claudia, very good question. It's a fair question because we know that when we contribute to individual retirement accounts from, say, our checking accounts, when it's a cash transfer from your bank account, the money goes in as cash into the IRA. Then you have to, essentially, pick your investments. Robo-advisors, however, will usually do the work for you. So you can go to any robo-advisor, any automated investment platform. Open up an IRA. Then before you transfer the cash over or maybe even after, you tell it your risk tolerance, your goals, all of that, and it automatically creates a portfolio strategy for you and then takes your money and puts it throughout that portfolio strategy.

But sometimes, the money just sits in cash, and then you have to go and manually pick your investments. With a 401(k) rollover, though, the idea is that you're rolling over directly from like investments to like investments in the new IRA. It's not going to be necessarily apples to apples because 401k plans usually have their own breed of investments, their own brand of investments. But if you're investing in like an S&P 500 fund in your 401(k), that exact brand of S&P 500 fund may not be in that IRA. But rest assured there is a broad market index fund that you could buy, and you always want to keep an eye on the process, most important that you're not getting a check in the mail.

When you're doing a direct rollover, the money should never hit your bank account. If it does, I'm sorry to say, it's possibly considered early withdrawal. You pay taxes. You pay penalty. I mean, it's not what you want to have happen. So it's important to just stay on top of this. These days, a lot of it is just done automatically, and it's done virtually, and you never have to be burdened with a lot of time spent on this. But check. Is my money actually now invested, or is it sitting in cash?

That is a wrap, everybody. Thank you so much for joining. Love getting your questions. You can email me. You can Instagram me. Remember, we have a newsletter every week. Subscribe. We have the link down in the notes. If you're watching us on YouTube, please hit that subscribe

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button, share with a friend, and leave your questions and comments below. We'll try to make it happen for the next week. All right, everybody. Thanks for tuning in, and I hope your weekend is So Money.

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