

EPISODE 139

[ASK FARNOOSH]

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FT: Welcome to So Money everyone. How are you doing? Happy Saturday! I'm your host Farnoosh Torabi. I am coming at you from San Francisco. That's right. I have travelled to the West Coast for the week. I'll be visiting my family, doing some work out here, and I'm looking forward to it. It's beautiful out here on the West Coast. My mother has, for years, been trying to lure us to move here and plant some roots, but I'm an East Coast gal and I think that's where we're gonna be for a while to come. But it's nice to visit, I have to say. It's beautiful and everyone here is very, very nice and welcoming, so excited to be here for the upcoming days.

In the meantime, it is Saturday and as it is Saturday, I wanna congratulate our new winner of the free 15-minute money session with me. This person went on to iTunes, left a review to qualify, and I wanna thank LabaryK. And I don't know if you're male or female, but I thank you. The title of the review is "A true personal podcast for the masses". This reviewer says:

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LK: "I've been listening to So Money since the beginning. Not only has each of my days become So Money, but my life has become So Money. The podcast is a must for anyone interested in personal finance. Farnoosh's podcast style is relatable to the young and the not so young. She has notable famous names on her daily podcast as well as names that might not be so distinguished but no matter who the guest of the show, they tell a story which creates financial inspiration to all, no matter where they may be in their financial life. There is not a day which goes by that I do not take my 30 minute dose of financial inspiration. Keep up the amazing work Farnoosh."

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FT: Wow. You're really a "devotee" LabaryK. These nicknames are so funny, and cute, on iTunes. I love reading them out loud and botching them perhaps. But thank you so much. This is truly a review that indicates you are a fan and for this I am happy to gift you a free 15-minute session with me. If you don't have a question, sometimes I find that my winners don't really have a financial question. They just wanna hang out and chat. That's cool too! Email me, farnoosh at [somoneypodcast.com](mailto:farnoosh@somoneypodcast.com) and I will quickly respond, as quickly as I can respond and give you some options for getting together. Thank you!

As a reminder to everyone listening, if you wanna be a potential winner of a free 15-minute money session with me, the way you qualify is you go on iTunes and you leave a review and each Saturday I pick one, one person. So congratulations, and thank you.

Alright, let's get to our questions. We've got a question here from Kevin this day and he says:

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K: "How much is enough to retire with? I've seen lots of different answers. Is there one good rule of thumb?"

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FT: Oh, there's so many rules of thumb Kevin, and I've seen that generally speaking you wanna have between 8 to 12 times your income. I think I read last year they did a study and they found 11 times your income is the sweet spot. That is income that you're earning in the latter part of your career, not earning money in your 20's x 10, but perhaps in your 50's x 8 to 9 or 10. So as an example, if you project that you're gonna be earning - let's say based on your career trajectory - that you're gonna be earning \$100,000 by the time you are approaching your retirement. Then you wanna probably have about a million in the bank at minimum. But those rules of thumb are just ballpark figures and this quest for enough, how much is "enough" - and I'm using air quotes around the word "enough" - is entirely subjective. And it's gonna depend on a number of factors. I'll go through them a little bit here for you just to give you some context.

What you wanna consider is, very importantly, when you wanna retire. Traditionally people retired around 65, but now as we are living longer and we are more energetic in our older ages, like 60's people are like, "I'm not gonna retire. I have a lot of energy. I can continue working and I frankly need to because I don't have enough money saved." So they continue to work in their 60's, later 60's, even early 70's. So if this is something you, as part of your lifestyle, anticipate wanting to do that may mean that you won't have to save as much because you're gonna be making some money. You also wanna consider whether you plan to work a little bit during retirement or not. You also wanna consider your health. Now you might be healthy today, and I hope that continues for you throughout your life, but medical bills are a major wild card in retirement. It's this big unknown. So for that reason it's always important to save a little bit more than you think you need because in the event that you might want to get assisted living, or you need to go on a very specific drug for medication that isn't necessarily covered entirely by insurance, these are all things that you wanna have this nest egg for.

For some people who are in their 30's, 40's, they're considering maybe getting long term health care, long term health insurance which is basically an insurance that you pay into that is there for you to provide for things like assisted living, nursing. Basically long term health insurance kicks in when it is proven that you cannot function entirely alone by yourself. You need help with walking, with eating, with taking your medication, things like that where you actually need some assistance and that's where long term health care will actually be ready and there for you. But a lot of people do think of getting that, and stats show that many of us will need that kind of care in the older years. So it's worth it to kind of invest in an insurance like that. So just something to consider.

Another thing you wanna consider is your lifestyle in retirement. Do you wanna travel? Do you wanna stay put? Maybe sell your house, move into a more affordable place? What will your social security payments be? You can get that projection by going to ssa.gov, it's a social security administration website. You just go in there and log in. I actually know, if I quit working today, they said I'm gonna be getting something like 20 some hundred dollars, like \$2,400 a month from the government. Which isn't bad, it's not enough to live off of, but it's good to know that if I throw in the towel today that's kind of what my payout would be.

So my rule of thumb is if you're in your 20's, you wanna start saving as soon as possible. Start with at least 10% of your income saved automatically, annually, every year into your work 401K or an IRA. Maybe it's even 15%. And if you're older, and you haven't started saving at all, you wanna be extra aggressive. So at least 15% if not 20% of your income every year. And again, make it automatic. At this pace, I think you'll be way better off than a lot of Americans are currently. Currently a lot of us have nothing. In fact, the Federal Reserve ran a survey recently and found that 31% of Americans have 0 in their retirement accounts, including nearly 25% of those people who are older than 45. So those folks unfortunately will have to work longer than they would like and will be stressed to save a lot of their income currently.

And there are calculators online, everyone, that can help you drill down your personal retirement savings goal. There's Choosetosave.org, that's one place. AARP is also a great resource for all things retirement and aging, but particularly they have great calculators and tools pertaining to retirement. If you wanna work with a certified financial planner, that person will absolutely be able to make some realistic calculations for you and help you work backwards to get to those goals.

So good luck, good question, and I hope this helped a lot of listeners.

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Jacqueline writes in and she says:

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J: "I love your podcast and so does my 8 year-old. I home-school my four kids and so they hear things I listen to. My 8-year-old ends her day like this before she goes to bed, "Thanks for listening to So Money with Farnoosh Torabi I hope your day was So Money! Goodnight mom!"

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FT: [Laughs] Jacqueline, I emailed you as soon as I got this, right. And I said, "This is probably the coolest, sweetest, nicest, most touching email I've gotten in a long time. Makes me wanna

get up every morning and do this podcast to know that there are young kids out there listening, feeling inspired, getting jazzed over the sometimes redundancy of this podcast." But you know what if it's getting to you, which it is, I'm happy to say that I'm making a difference in someone's little life. And hopefully that brings a smile to your face as it is to mine. Thank you, and tell your little 8-year-old she is So Money. I highly respect her. She's a wonderful role model, and you're doing a great job. You as mom, I'm very impressed. Home-schooling 4 kids, I know that can't be easy. So thank you for the great work that you do as a supermom and for being a fan. I really appreciate that email. Thanks Jacqueline.

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Sarah asks:

S: "Do you have any suggestions for socially responsible or environmentally responsible investments? I am a complete beginner with investing and would love to get started with something simple like an Index fund, but from what I can tell it's difficult to find one that can assure you they aren't investing your money with companies like Monsanto, which is a company that I go to great lengths to avoid supporting with my shopping dollars. Thanks for any tips you can provide! Your show has been a great source of inspiration to me!"

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FT: Well thanks Sarah. And this is a great question. I think that a lot of my listeners would echo what you're voicing, which is that socially responsible investing is important to us. And it is, fortunately, a big category in the investment world. I would say check out Greenamerica.org. There's also Domini.com. D-o-m-i-n-i.com. That's one of the larger fund groups of socially responsible investments. My advice to you as far as understanding the ingredients in those funds is you can check out what is actually included in any fund by visiting it's website. Often they are transparent on the website for that fund. You can also, if you're gonna get serious about this and you really wanna know, there are paid subscription sites like Morningstar.com, which evaluate funds and they have all the nitty gritty on that site too, as far as what the individual investments are in every fund and they break it down. And so, that way you can decide for yourself if you wanna participate or not in that particular fund, but do a little bit more

research. The web is a great resource and Greenamerica.org, Domini.com, Morningstar.com. Those would be my 3 picks.

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Matt asks:

M: "I listened to the podcast with Stacey, your financial planner, and I found the discussion about bookkeeping and hiring a bookkeeper to be very helpful. Would you ever have time to expand on the subject such as costs, how you find a bookkeeper, what to look for. I spend a lot of time going through my spreadsheets and would really benefit from this but not sure how to determine what I need. Thank you!"

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FT: Yeah Matt, sure I'll expand on this for a little bit now. Bookkeepers are a great resource. We talk a lot about outsourcing on this show and if you have a business, or you have a lot of spreadsheets as you say, maybe it's worth it to hire some part time help. I actually, me, I do my own bookkeeping. I'm a very small operation and because I use my business credit card for most related purchases to the business, I can personally track my expenses easily online. Quickbooks is a great tool if you wanna go the DIY route. That said, I have an accountant and he helps me with all of my tax paperwork and he has an assistant that gathers all of my bookkeeping that I've done over the year. Then she sort of takes a second look at it just to make sure that my math has been correct. So I do have somebody who's like double checking my work.

He actually offered me someone on his staff to do the bookkeeping from soup to nuts for me, which is essentially tracking my income, tracking my expenses, submitting my invoices, making sure that I get paid on time for my different payers. But I said, "You know, no thanks." I wanna do this myself. I know it takes me time and I'm a big fan of outsourcing in other ways, but I find that for me to do my own bookkeeping it is important because it keeps me having a very close financial relationship with my business and I know what's coming in, what's going out. But if you

don't wanna do this, and that's totally your prerogative, and you feel that someone else would be better at doing this for you, there are a lot of ways you can go about it.

First, go around and ask by talking to different CPA's - certified public accountants - or tax attorneys who may have bookkeepers on their staff. You can also ask for referrals from friends and colleagues. Request to run a background check and a credit check on this person before hiring them, especially if they're going to be having access to your bank accounts, that's important. I read an article recently that said that the rates for hiring a bookkeeper on a part time basis, which is probably what you're looking for. You probably don't need someone full time, maybe somebody who's doing 3 to 5 hours of work for you a week or 10 hours a month, something like that. It's anywhere from \$15-\$60 an hour, depending on the intensity of your bookkeeping and that also depends - that price - on whether that person's working remotely or has to come to your home or to your office to do this.

I think to make this cheaper for you and more efficient, as much as you can organize, as much as you can track that isn't cumbersome that you can then give to a bookkeeper to either double check or fill in the blanks or pick up the slack, I think you can save yourself money overall as opposed to just saying, "Here are my passwords for all my accounts. Go!" So doing a little bit of the setup work yourself will save you a lot of money in hiring a bookkeeper. Ask around, ask CPA's, ask friends and other fellow business owners who they like to work with. If this person works independently, do ask for a credit check. And if they work for a firm, hopefully the firm can provide you with credentials.

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And that is a wrap everyone. Thanks so much for tuning in to this edition of So Money, coming to you from the West Coast. Hope you have a great rest of your weekend. See you right back here tomorrow and I hope the rest of your day is, Jacqueline you know the que, is So Money!

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