

EPISODE 1413

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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 1413, Ask Farnoosh.

[INTRO]

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FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. It is September 23rd, 2022. According to my daughter's calendar, it says today is the first day of fall. She loves that calendar, y'all. It's so cute. Before she goes to bed every night, she puts an X on the day. She sees what's coming up. I'm telling you, she's a chip off the old block. She loves to organize, loves to plan. She's going to be okay.

But it is the first day of fall, and I love the fall. It's my favorite season, I think. Then, of course, I get tired of it, and then I can't wait for winter, and then I can wait for spring and summer. I like seasons. I'm a New England gal. I like the change. I like seasons of change, and we are currently in a moment of change. Whether you're looking at what the Fed's doing with interest rates and recession talks heating up. You're looking at – I'm looking at Iran right now. I'm looking at the devastation there. Women and men, freedom fighters protesting, burning their hijabs, cutting their hair short.

Of course, if you've been following the news, you know that there are protests right now or the death of Mahsa Amini, the young woman who died tragically. She was arrested in Tehran by the mortality police. Did you know they have that? They enforce the country's crazy rules on hijabs and other really, really conservative Islamic modes of dress and behavior and decorum. Anyway, she was arrested because she wasn't wearing it, beaten essentially to her death. The government is saying that she died of a heart attack after they took her to the hospital. Totally false.

So my heart is with Iran right now. It's really hard because the country there has shut down social media as of this recording. So it's very hard for people within the country to share what is going on. The president denied an interview with Christiane Amanpour, who refuse to wear a hijab during the interview on American soil, no less. He said he wouldn't do the interview unless she wore a hijab. Like that alone says everything you need to know about who we're dealing with here. This country is not one that can be negotiated with.

I just don't know. I feel like every few years there is an uprising and uproar. People there are so always like just on the edge. It's just so difficult to live there. You have no freedoms, especially women. I mean, look, you can get up and go out and get an education but not like we have it here. My parents are Iranian, as I think you know. They left in the late '70s, and I was born here in 1980. It wasn't the plan to stay here. My father always would tell me, "You are so lucky that we are still here." The plan was to go back and start a family where they're from.

But as it became more clear that the revolution was getting to be far more treacherous and just not sustainable and livable. If you had the opportunity to not go back to that country, you didn't, and it was really just luck, right? So very lucky, very fortunate, of course, for my path. But I think about the people who were not able to have a choice and stayed and remained there. I remember in 2003, I think it was, I had just finished studying journalism at Columbia University. I remember one of my mentors was a former international war reporter. He and I were talking about how cool it would be if I went to Iran and was a stringer or a freelancer and covered the war that was happening next door in Iraq.

There's so little that we know about Iran and the Middle East, in general, but particularly Iran, and to be able to go there and tell stories. I speak the language. I thought, wow, this is my calling, right? We're in a moment of war, and I saw male colleagues go there and like win awards and just write really basic stories but untold stories. I thought this is my calling. So I remember telling my parents that I was doing this, and I was getting all my ducks in a row, and I was getting my media pass and my – I had everyone from New York Post to Newsweek telling me they would take my stories. Yes, please. If you go, we need these stories told. So I was like, "This is it. It's happening."

I remember my parents were listening, and I don't think they took me seriously. Then finally, I was like, "Guys, I'm looking at flights." My father turned to me and he said – I'll never forget. It was over breakfast at this like hole in the wall diner on the Upper West Side in New York. He said to me, "I don't agree with this." Now, for my father to say something like that, you know he means business. He doesn't normally disagree with his daughter. He and I have a good relationship. He's very supportive. If anything, he just adds advice, good advice, good mentorship.

But he was, for the first time in my young adult life, telling me not to do something, please, pleading with me. He said, "If you go there, you will not come out alive. They will kill you. Think about it. You're the daughter of two Iranians who left the country who never went back. You're a journalist who's out there to tell the truth. They don't like that. You're a woman. They don't like that. I mean, you have all these risks. And not only that, you're going to put your family there in jeopardy. If you stay with them, they're also going to have to be exposed."

So I didn't want to believe him at the time. It was heartbreaking. I felt like it was the end of a dream for me. But I am so grateful that he stepped in. I mean, I say this and I think about everybody out there that's fighting, and I think how brave they are because they do know the stakes. Despite knowing the stakes, they are fighting. I knew the stakes and decided not to be a martyr. They know the stakes. They're putting their lives on the lines. Sadly, we don't even know half of it because they're not able to tell us what's happening, the world what is happening.

So to the extent that you can follow this story, I'll put a link in our episode notes. To the extent that you can share and reshare what's happening and know that those who are sharing from within those borders, they must have gone through so many hurdles to do so. To the extent, again, that you can share I think is the least that we can do to make sure that this is not a story that gets buried. How did we get here? I don't know.

But I had to say that. It's been on my mind. I think as we think about just all the change that's happening in the world, here in America, we're not the only ones experiencing really tough times. It's all over the world; Ukraine, Iran, Puerto Rico. We're entering storm season. There's just going to be a lot of ongoing sadness, and I think this is a place where we can talk about it, I hope, and it's a safe place. I know people have been emailing me, direct messaging me. I don't

know if we have – We don't have all the answers, but we can at least talk about it, and that certainly does feel good.

Back to the economy, though, okay, the Fed did raise interest rates this week, not surprising. I mean, inflation is stubbornly high. It did come down a little bit in August, thanks to those lower gas prices. But rent is still high. Food is still high. So inflation is enemy number one, as far as the Fed is concerned, as far as our leaders, political leaders are concerned.

So to attack it, they're going to raise interest rates, and they're going to keep on, keeping on until they see interest, they see inflation down. They want to get it down to that 2% normal rate. That's going to mean layoffs. That's going to mean a recession. We know this. I wrote about this in the newsletter this week. If you're not subscribed, I'll put that link in the show notes. I would love you to join me there. I have a lot of fun with this newsletter. It's exclusive. There's – I talk about stuff in there that I don't talk anywhere else.

I mean, I'm talking about it now, but it's there for the first time. You get it fresh. It's sort of like what I'm thinking in that moment. I write the newsletter pretty close to hitting send. My essay opener was just about, look, recessions are not fun, and there are no silver linings. I maybe have very few, very few. But generally, I wouldn't put this in like the positive folder. But in all of my years covering recessions, and there have been at least a few in my 15, 20 years covering personal finance, it always seems to just show up. The recession does not give us any time.

Suddenly, everyone's getting laid off. Suddenly, the stock market is going south day after day after day with no end in sight, and we are left scrambling. It happened in 2020, at the beginning of the pandemic. It happened during the Great Recession of 2008, 2009. This time, though, I have been talking about this pending recession for nine months, and some of us thought it was going to happen by now.

But now, I think we're all certain it's going to happen at some point in 2023. I think the consensus is it's not going to be a quick one. It's going to be pretty difficult with where inflation is and how the Federal Reserve has been conducting monetary policy. They've been very aggressive and they say – They've been using the P word, pain. It's going to be painful.

With that, I sort of like there's an opportunity here. When else have we had the opportunity? It's kind of a weird word to use when you're talking about recessions. But really, like we have time to get our ducks in a row. Now, not all of us. Some of us have already lost our jobs. Some of us have already experienced a lot of pain in the last nine months, as prices have gone up, rents gone up, can't buy a house. But if things are only going to get worse, and we can see the handwriting on the wall, this is a bit of a, I guess, opportunity to get your financial plan in place.

I had on my show this week Maggie Johndrow. She's a CFP and owns a wealth management firm. She's like, "You know what? If you know that there's going to be more unemployment in a year, and you want to look for a job, you're going to look for a job now, when you have opportunities. There's still a lot of openings, compared to people who are seeking jobs. This time next year, I don't think that's going to be the case. And so now's the time to brush up on your LinkedIn profile and start networking and start creating a plan for your pivot or your next job, not when everybody is looking for a job." So deep thoughts on this weird time that we're in and this forthcoming recession.

Let's switch gears now and talk about our reviewer of the week. I want to give someone in the audience a free 15-minute money session. To do this, I always go to the iTunes review section weekly and pick a reviewer of the week. This week, we're going to say thanks to our friend who left a review on Friday. The name is ah0981. "Informative, relevant, much appreciated. This is a great podcast. I've only been listening for a few weeks. But I've learned so much already about personal finance, relationships, and how everything in our lives is intrinsically interwoven. The guests are always great. Farnoosh is a naturally gifted and skilled interviewer. Thank you for providing this level of free education and insight."

Thank you so much. I'm so glad that you have discovered So Money, and it's been a few weeks. But you've clearly been bingeing and you've been listening, I know, to probably Maggie's interview. We had Marc Sholes on. He was talking about attachment styles and how we grew up and how that influences our relationship with money and our relationship with other people and talking about money with other people. So glad that you've discovered the show, and you're having a good time, and thank you for the review. To get in touch, you have a few options. You can email me, farnoosh@somoneypodcast.com. You can direct message me on Instagram. Or

you can go to the podcast website at somoneypodcast.com and click on Ask Farnoosh and send me a message that way. I try to be accessible.

My new Hot Mic column this week is an unpopular opinion that I want to share over and over again, till the cows come home. This is where I might lose some people, and it's all about stay-at-home parenting and my thoughts. I've talked about on the show many times. I think you all know that my opinion is rooted in really a desire for everybody, particularly women who are most of the stay-at-home parents out there to have financial independence. So this is not an opinion that says stay-at-home parents are bad or that money is more important than family. It's simply that when we choose not to work, to instead be the full-time caregiver, and sometimes, well, let's be honest, it doesn't feel like a choice, right? But whatever it is, something that we are doing, in lieu of something else, there is a tradeoff. There's a financial cost to that. As long as you know about it, and you're okay with it, okay, I'm all about transparency.

But for some people, they look at that calculus, and they're like, "Oh, no. Oh, no. I want to find a different way to make this work." I would strongly encourage it. If you are choosing opting into this household paradigm division of labor, that the stay-at-home parent insists upon maintaining some financial independence in the relationship, and that's where my article picks up. It's giving stay-at-home parents advice on how to be a stay-at-home parent and not lose financial autonomy.

Again, nothing against stay-at-home parents, nothing against your views on why you want to be a stay-at-home parent. I get it. It's your choice. Whatever you're comfortable with, it's your choice. Frankly, our country doesn't really set up working parents for success. I will be the first to admit that. So my husband and I have often talked about, well, it would be nice if one of us didn't work, usually after a very stressful week.

But ultimately, we get back to this reality that if one of us didn't work, that would make us a lot more vulnerable as a household. Also, individually, we would need to work overtime to make sure that the person who's not working is set up to be financially successful. So my column, I hope you'll check it out. It's a weekly column. It's called So Money Hot Mic. I'll put the link in our show notes, and I'd love to hear your thoughts on that.

All right, let's go to our Recession Help Desk. This is also something we are doing continuously at CNET. We're helping you with your recession-related questions. This week, we have a question about saving money in a recession, and our audience member wants to know, "Farnoosh, how much should someone add to an emergency fund on a biweekly basis? What's the right pace?"

My advice is this, in a recession, and really all the time, but especially in a recession, it's ideal to have at least six months' worth of your bare bones expenses tucked away in case you lose your job, or you decide to step out of the workforce and take care of your family. You need time to support yourself, possibly a household, and you want to land back on your feet eventually. So having six months, I think, is a generous amount of money that can get you there.

If you need, let's say, 3,000 or 4,000 dollars a month to pay for things like rent and utilities and food, those necessities, then ideally, you want to have somewhere between 18,000 to 24,000 in a liquid insured bank account. As far as how to get there and how often to save, this really just depends on how aggressive you want and can be. I would start with an automatic 10% out of every paycheck. How does that feel? Can you do more? If you can, then increase that percentage rate. Maybe you increase it, and then you also make it more frequent. But it really just depends.

Now, we know we talked earlier that the recession is going to happen next years at some point. At that point, maybe your job's going to be more vulnerable. So you have between now and like next year to work on this. If you've already gotten halfway there, great, then that also will influence how aggressive you may want to be with that savings pace, if that makes sense. So great question.

We're going to talk later in the show about budgeting, and there's this new trend. I don't know how new it is. I guess I saw it this summer. But I saw a study recently that echoed this trend, cash stuffing. So stay tuned for that question. I got some answers on how to cash stuff successfully. But if you have a recession-related question, just email me, recessionhelp@cnet.com. You can go to Recession Help Desk at CNET. We've got all of our archived articles, videos, helping you navigate before and then during and then probably after a recession.

All right, our first question here is from Mariah. Okay, question from the mailbag from Mariah. “Farnoosh, I'm looking for some advice in regards to supporting a friend's business. I love financial independence and building wealth. And so I'm really proud of my friend who has an e-commerce business. It's called Amway,” which I don't know. Is that multilevel marketing? “She has made great strides and is successful with her clientele and profit. However, I'm not really interested in the products, but I buy them from time to time because I want to support. She's all about her business. And when she isn't talking about it, she's trying to recruit for her team. I feel like I'm buying because she's a friend and not because I want the products. If I stopped supporting, I don't think it will hinder our friendship, but it will be awkward. Any tips are appreciated.”

All right, Mariah, great question. We actually have – Or my colleague at CNET is working on a big feature about multilevel marketing. I helped her find some people who have gone through this, good stories, bad stories. Believe it or not, when I went on Instagram to find people who had MLM anecdotes, I got a number of questions or comments, I should say, from folks like you, Mariah, who are like, “I don't have experience with this. But I'm the friend who keeps getting invited to the events and the parties. And whenever she comes over my house, she brings me new products, and I always feel pressured to buy.”

Listen, nobody cares more about your money than you, right? This is a clear example. Your friend has an interest, obviously, in growing her business. You have an interest in saving your money, and you don't even like these products. So it's not like you're even getting anything out of this, other than, of course, supporting your friend, which I do think is important. So in lieu of buying products from her, and I think you need to have a conversation with her, you got to say, “Look, I am looking to save money. I have some goals that I want to meet in the next year, in the next two years, which is going to mean I have to cut back on some discretionary spending.”

That's the script. Don't be shy to talk about that. Look, who doesn't have to rein it in sometimes? Okay, that's not weird. She's your friend. So hopefully, she will understand. You can say, “I still want to support you. So if there are other ways that I can support you.” Maybe you can host a party for her at your house. Have everybody come over to your house where she can display the products and talk about them once. Don't make this a recurring thing. But are there other

ways where you can help promote? If you have a pipeline to an audience, maybe you can help with her promotion efforts, again, once in a while. This isn't going to – Like you're not going to work for her.

But I think that, and this is for everybody who has that friend who keeps knocking on your door, Avon lady, you got to say, “Look, I am done for a while. I just have to rein it in, and it's not about you. It's just about I'm looking at a lot of my expense categories. I want to make sure that I have my rainy day. I want to start investing more. And so this sort of spending for at least a while has to go on the backburner. I hope you'll understand, and I hope you'll also appreciate that I've invested in you and I've supported you. So it's not about the fact that I don't want to be supportive. It's just that I really have to be mindful of my money at this point. I want to buy a house. I want to buy a car. I want to invest more,” whatever.

You bring up your goals. That might inspire her. I think as long as you are doing it in a very genuine way, and you're making it about you and your goals and less about what she's doing and her aggressiveness, I think that is how you maintain the friendship. Again, offer to help in nonmonetary ways, ways that maybe are just more an expense of your time or your other resources, your networks, your group, your friend groups that might be interested in her products. Good luck, Mariah, and you're a good friend. You've been really supportive of her, and I hope that she appreciates you.

All right, let's get to that cash budget question. Ricky, who subscribes to my newsletter and saw me talking about cash stuffing, which is a big trend on TikTok with the millennials and the Gen Zers. There's a new study out that finds that cash is making a comeback. With all the new electronic payments and paying with your phone and this and that, cash still holds a place in our financial lives, and it really does put a smile on my face. Because I remember when I was starting out, I was trying to save, I was trying to get out of some credit card debt when I got out of college, I did stick to a cash budget, not for everything. But there's so much that we pay for everything with a credit card, right? It's tap, tap, tap, swipe, swipe, swipe. Use your phone.

When was the last time you used cash? Maybe recently. But how frequently are you using cash? Probably maybe just a few times a month. I mean, I go to the ATM like seldom. So I know, for me, it's not something that I am habitually using. I love online banking. I love using my

iPhone. But I also feel like I'm a little bit more further along in my financial life, and I am taking care of a lot of very important things first like investing and saving and paying off my mortgage and addressing these sort of important financial pillars in my life. So whatever's left in my checking account, and I want to go have a coffee, I want to go out to eat, I know that I can safely do that.

But I know that when you're starting out, it can be very overwhelming if you have student loans and credit card debt. You just want to feel like you're not constantly swiping and hitting that credit card. It's a slippery slope, and it's no surprise that this is becoming more and more popular with the younger crowd, cash stuffing as it's called. There's videos on TikTok. There's a study out from a company called Credello. It's a personal finance platform. They found that there's a huge spike in popularity with cash stuffing with Gen Z and millennials. They surveyed 600 adults from 18 to 41. It was back in the summer, and they found that a majority, 61%, use cash stuffing to manage their finances.

Now, what is cash stuffing? It's basically putting cash in envelopes, having a cash system to manage your expenses. One in three respondents say cash stuffing is very effective towards savings for a goal. About 30% use it to pay off for big purchases, 28% use cash stuffing for everyday purchases or utilities, 24% use it to pay down debt, and 17% use it for small purchases.

Now, in practice, how do you do this in a completely digital world? It feels at least completely digital. I would not recommend you do this for everything. I just don't think that it is, one, safe, right? You don't want to be just keeping a bunch of cash in your closet or on your kitchen table. That's just not safe. Or in your purse. You want to do some of your financial transactions electronically. The ones that you want to be sure go through, the ones that you can maybe pay with a credit card but then reconcile with checking or that come directly out of your bank account, but it's an automatic transfer and it's electronic.

So things like rent and utilities, your debt payments, I just don't know how you pay for these things using cash. Usually, those companies are far, far away, and you can't just like drop by and pay your monthly water bill with cash, right? You have to have some sort of payment system set up. You can write a check, but that also means that you're now vulnerable to the US

Postal Service. Frankly, unless it's like certified mail, I don't put things in the mail just willy-nilly, especially not things that I know must reach the recipient by a certain date. I'm just a little nervous about that these days.

So logistically, tactically, realistically, using cash for everything, you might be able to figure it out. But I don't recommend it for all those reasons, and safety is a big one. I think when you purchase things, even with a debit card, we know there are risks to that versus a credit card. If there's fraud, if your card gets stolen, if your digits gets stolen, and you have a debit card, that money gets taken out. It's very hard to recover. Yes, there are some protections, but it's not like a credit card, where it's not real money. It's not going to take time for the bank to reconcile that.

So cash budgeting, I just want to say that as much as I love the practice and how studies show that when we use cash, it does deter us from overspending. Because think about it, it's kind of painful when you part with that cash. You're like, "Oh, that's the \$20 I'm never going to see again." So you become really more thoughtful about your purchases, and you probably end up spending less. But it's not always practical.

But if you want to do this with some of your discretionary spending or some of your spending, I think the first step is to know your habits. Track your spending. Anytime you whip out that credit card, whether it's at the grocery store, coffee shop, or when you do Apple Pay, or you even shop online for something that you don't really need and use a credit card because it's so easy and quick, track it. How much are you actually spending using credit that you either want to bring down? Or if you know that it's \$200 a month consistently, maybe you take out 150 the next month in cash and reserve this for those kinds of spends.

So when you're at the restaurant, you're at the coffee shop, you're at the smoothie shop, you're at the clothing store, you are limiting yourself to the cash in your wallet. That's pretty powerful. I would then take the rest of your financial transactions and make sure that you're on an automatic payment system so that those never get overlooked. You never forget those. It's important to know how much that adds up to every month because that also gives you a sense of what's going to be left for you then to proceed with the cash stuffing portion of your financial budget.

I think it's important. I mentioned this earlier to know the limits of debit cards too. Some people consider debit cards cash. Yeah, it's basically a form of cash. But you have to know the risks that when you use a debit card, say, to book airline tickets or a – I would not do this for big ticket items. Because if for some reason, the purchase is not meeting expectations or you have to return something, it's going to take time for that money to go back into your account, and that's real money. As opposed to a credit card, that's not real money. Your net worth hasn't gone down temporarily as that bill gets reconciled.

Keep the cash safe. I see pictures online, people just keeping the cash on the counters, in envelopes, or like in little folders. But I think you want to be careful, right? I wouldn't just put money out there. Keep it in a lockbox. Keep it in a safe box, fireproof, especially we're talking hundreds and hundreds and hundreds of dollars. That's not something that – I mean, that would be – Losing that, that would kind of defeat the purpose of cash stuffing.

Then lastly, detach cards that are hooked up to websites and your phone. Because this is where, I think, we – This is why we need cash stuffing because we have made credit chopping way too easy, way too easy, where we just tap our phone. But I'll tell you what. I mean, if I go to the grocery store and I have to pay cash, I'm going to be so much more conscientious about what things cost, what's in my basket. Do I really need this? It's so powerful. One thing I'll just say, though, is like cash can be kind of dirty, right? So wash your hands when you get home. That's my parting advice. It's not really a budgeting advice or a financial advice, but just wash your hands.

That's our show. Not a whole lot of questions. But we did spend some good time talking about a variety of topics. I think the Friday shows for me are becoming an opportunity to just talk about what's on my mind. I think through that, maybe even answer some of your questions that didn't come through, but you're thinking the way that I'm thinking, I think. Thanks so much for tuning in, everybody. I will see you back here on Monday. I hope you have a great first weekend of the fall season, and I hope your weekend is So Money.

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