EPISODE 1434

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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 1434, Ask Farnoosh.

[INTRO]

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FT: Bonjour, mes amis. I am recording this before going to Paris because I didn't want to work while on vacation. But today, you're listening to this episode, and I'm hopefully enjoying my last day in this beautiful city. My plan for today, for Friday, was to hit up some consignment stores because I discovered that French ladies have a lot of buyer's remorse. You may find some exquisite designer goods on deep discount at Parisian consignment shops. So that's where I'll be. Make sure you're following me on Instagram to see how I'm doing, whether I've had any success.

Today is November 11, Veterans Day, honoring all of our military veterans in this country. It is also my father's birthday, so happy birthday to my dad, who has been on this podcast not once but twice, once with my mom talking about their immigration story from Iran back in 1979 and a few years ago talking about how getting laid off in his 60s did not inspire him to retire early. He actually hunkered down, learned some new skills, invested in himself all over again with new education, networking, a brand new LinkedIn, and landed a great new job. Not a story you hear about all the time, so check out my episodes with Adam Torabi. Adam, yes, he Americanized his name, along with my mom, when we became citizens, and they gave me the option to change my name. I thought about it, but I just couldn't commit to something new, and it's not like I loved my name growing up. You'll read all about that in my upcoming book, *A Healthy State of Panic*. I guess it all worked out.

This week, we aired all new episodes. Starting on Monday, we chatted with Julien and Kiersten Saunders. Julien and Kiersten are the married duo behind rich & REGULAR. Their first conversation around money ended up breaking them up in 2012. But they recovered and somehow gained the courage to tackle some really difficult conversations about money with their friends, family, and each other. They've together paid off $200,000 worth of debt, they've boosted their net worth, and they're on the FIRE movement.

Then on Wednesday, we spoke with Rendel Solomon about racial inequities, why and how he's pivoting from his career in private equity to spread financial literacy among black Americans. He spoke about growing up on Chicago's west side. He explains how it was not probable that he would grow up to go to an Ivy League school, work in private equity, and build wealth. But he is an example of what is possible, a very powerful conversation. Check those episodes out if you haven't yet.

Let's head over to the iTunes review section for our reviewer of the week. This person will get a free 15-minute money session with me. This week, we're going to say thank you so much to lifelonglearner2007, who calls the show engaging, educational, and entertaining. Here's what she has to say. “Farnoosh’s background as a journalist and financial expert elevates the show beyond either just a financial education show or an interview show, and provides instead an engaging podcast with gems of wisdom directly transferable to real life. I love this show so much that in between new episodes, I've been going through the backlist on my commute, and I'm already in the 300s, without getting tired of it at all. Farnoosh does a fantastic job of asking questions that humanize money issues across a huge span of diverse speakers. Also quick note that as a fellow Iranian American woman, I was so grateful to hear Farnoosh speak out about the current situation in Iran. It would have been easy to say nothing, and it means so much that she uses her platform to bring awareness to major global issues like this one and others in the past as well.”

Well, my friend, lifelonglearner2007, love your handle. Thank you so much for your review. It means a lot to know that you're enjoying the show, not only the current episodes. But you're making an effort to go back in time. I know we have a lot. We've got a lot of content, 1,400-plus episodes. Those first few years, you'll get to hear me coming out of my shell, stepping into my comfort zone. Podcasting is constantly something that no matter how long you've been doing it, each time is different, and you learn something new. You, hopefully, get a little bit better. I'm happy to use my platform to support the ongoing protests in Iran, which we know we called it many weeks ago, when it first started. We said this is not just your ordinary, disgruntled public going and marching in the streets. This is what we're going to look back upon and say is a revolution. That is really what it's turned out to be. People continue to be murdered, people continue to disappear, and people continue to persist and march and stand up for what is right, which is their civil liberties, their freedom, their ability to be who they want to be and not be restricted.

I had a thought the other day that I hadn't really ever had, which was like I could maybe take my kids to Iran one day. Never crossed my mind, until I saw the just overwhelming fight that is happening in Iran and thinking like they're not just doing this for themselves, right? They're doing this for the future, and they're doing this for their children, and they're doing this for others to see, to know what could happen. But what is really possible, how change can happen, hopefully. My heart goes out to everybody in Iran right now, and I'm continuing to follow all of the developments.

Christiane Amanpour is doing a really great job. Max, the comedian, is doing a great job. So many incredible Iranians worldwide are speaking up and out against what is happening in Iran. It’s just I feel really proud to be Iranian right now. I've always been proud. But this isn’t a particularly proud moment. It's also sad. It's also devastating. It's all the emotions. Anyway, we'd love to speak with you and connect. You can email me, farnoosh@somoneypodcast.com. You can direct message me on Instagram, and I will reply with a link where you can pick a time for us to chat.

All right, let's head over to the Recession Help Desk. A majority of CEOs, pretty much every economist is forecasting a recession in 2023. I mean, really, we're in it. Let's just be honest. We've had already two negative quarters of GDP. But I get it. The job market is seemingly healthy, although you don't always believe the numbers. You got to look under the hood. People are struggling, layoffs are happening, and inflation is not cooling. So we're going to continue the Recession Help Desk until you tell me to stop.

This week, a question about Christmas clubs, Christmas club accounts. People are struggling to pay for their holiday gifts. We just did a survey at CNET. We surveyed our shoppers, and it's going to be a challenging holiday season. Some people are foregoing gifts. Some people are going to have to just put everything on the credit card and deal with it in the New Year. I hope not. So one of our listeners brings up this idea of a Christmas club account. Maybe not so much for this holiday season but for the following year because you do have to have time to save. But here's a question. Mariah says, “I'm starting a new job, and they offer a Christmas savings club. It states there is interest paid at maturity but doesn't list what the rate is. Are the rates similar to CDs or savings accounts? I'm pretty disciplined with saving money on my own, and I want to see if it's worth tying up the money for a year.”

Well, let's put this in the context of the recession, Mariah, and anyone else considering this or any other type of CD, which typically offers a better interest rate than a traditional savings account. But maybe not when you consider the fact that the money has to be in the account. If you pull it out anytime soon, before the term ends, before the maturity, then there's a penalty or a fee. So my advice to Mariah is understand what the rate is. They can't not tell you what the rate is. Maybe it's not being promoted loudly because it may not be that great, to be honest. But it's somewhere in the fine print. Someone at your company has to know. It's a phone call away. It's a web click away to figure out what is the interest rate.

If it's less than 2%, I wouldn't do this. I would put instead my money in an online savings account, where you can probably get 2% right now because that's one of the silver linings to a rising interest rate environment. Interest rates go up on debt, not so good. But the savings rates go up, which is better. So you could probably find just an online savings account that's not going to restrict you in terms of the money flowing in and flowing out. You can tap that money whenever you need. But you say you’re disciplined, so I trust that you're not going to need the structure, the force structure of a Christmas savings club, which is really just a CD disguised as a Christmas savings club.

The other thing about Christmas savings clubs is sometimes there are limits to how much you can save. So if you want to save a lot of money, this may limit you from that. So I would recommend that you learn as much about this club as possible and compare it to some of the other offerings right now in the financial world, whether that's a digital bank or a credit union or your own bank offering you some great incentives to save in various accounts. The thing about being in a recession is that cash is king. So saving is important, but we don't want that money necessarily locked up, right? If this is money that you may need or anticipate needing because, who knows, maybe you do get furloughed or laid off or prices continue to skyrocket and the cost of living continues to be high, it would be nice to know that that money is not locked up, that you can access it without being penalized.

So, Mariah, I say learn about this Christmas savings club. What's the term? What's the interest rate? What are the pros and cons. Then make the decision based on that. I do like the idea of saving now for a goal that's coming up in a year, where you know you're going to be spending more than average.

All right, let's go to the fuller mailbag and answer questions about whole life insurance, lifestyle creep, and financial advice for disabled Americans. All right, first up, though, let's talk about lifestyle creep. Elizabeth, who actually I had a free 15-minute money session with, this is what we talked about on our call, and I asked her if I could share it with our bigger audience because I think it's very relatable. She said sure. So the topic is lifestyle creep. She says, basically, she and her husband, they feel very privileged. They are upwardly mobile. They've paid off their student loans, which was over $200,000. They've maxed out their emergency fund. They've maxed out their retirement contributions. They put it off away to cover their daughter's undergrad education. They've also paid off their house. Oh, my gosh. And they have prioritized family by buying a condo for a brother, who is disabled, and this is their only debt.

So her question is, “As our income goes up, we've been spending more money on travel, enjoying dinners, flying to see family, buying exercise equipment. But I worry that I have lifestyle creep.” She says, “My days of backpacking and going on Lonely Planet, Style Travel trips are behind me. We're not as frugal as we were in our 30s. Is that a bad thing? Is there a way to reframe lifestyle creep?” Yes, you can rename lifestyle creep. You can name it whatever you want. I don't like the term lifestyle creep. Call it embracing your wealth, your growing wealth. The thing about calling something a creep is that there's no positive way to look at it. It just feels really gross, and like you're doing something wrong.

So what I see happening, actually, is a couple that's done all the responsible things and enjoying their money, after all is said and done. There is nothing wrong with that. As I told her on the phone, if you're looking for some permission, you got it. You came to the right place because I'm all about enjoying your money. Because otherwise, what is it all about? Yes, we have to pay off debt. Yes, we have to save. Yes, we should invest. You're doing all of those things, Elizabeth. So don't feel guilty spending money on yourselves.

What we sort of uncovered through our conversation was that there's a little bit of embarrassment maybe going on or feeling awkward because in their family, they are making more than fellow relatives, and they may have more capacity to spend than other family members. I get it. That can definitely feel weird. I have heard about how friends, they feel awkward they make more money than their parents. I'm like, “What's going on there?” If my kids grew up to make more money than me, then I feel like I've done a good job. I feel proud about that. I never want them to feel bad about it. Or I would never feel personally attacked or personally like a failure. I think if that is what's going on amongst your family members, then it's not really about the money at that point. It's about our feelings tied to hierarchy and lineage and what it means to be a parent.

I think for me, what it means to be a parent is to provide, to invest in your children so that they can grow and then have a stable life and continue the legacy. If I want this legacy to continue, then I have to assume that the next generation is going to have more to continue giving and to continue paying it forward. So that's where I'm coming from. Coming to that realization, again, it has nothing to do really with money, but like what are my values as a mother, as somebody who wants her children to grow up and prosper? So I think lifestyle creep gets a bad rep. It goes back to shame and guilt, which is running rampant right now in our personal finance culture. We love to make people feel bad for buying the things that they want, to buy for themselves. Do what you want. Do what you want as long as you're being responsible on the other side of things.

Like if she came to me and was like, “Farnoosh, I'm making more money, and I'm spending as my income grows. But all the while I'm not addressing my debt. I haven't opened up that 401(k) or that IRA,” I'd say, “You know what? Maybe we need to shift the priorities for a while, right? Let’s get your foundation built so that you can spend. And as you make more money, you're actually building wealth too.” Because I do agree that just making more money doesn't mean you're getting richer, but you have to do all the other things too. So I say get rid of this idea of lifestyle creep. The term is creepy. Embrace your growing wealth. Don't feel guilty. One other thing, I'm impressed. I am so impressed with Elizabeth and her husband. Well, for what they have done, they've paid off all that debt. They're supporting a family member in one of the most generous ways. Oh, my gosh. Don't feel bad.

All right, Yvette wants to know if I know about any financial experts that speak to the disabled community, particularly people of color who are disabled. Yvette was really happy to see the NextUp list of fresh new voices in personal finance but was still looking for someone to follow who could provide some advice pertaining to being disabled and managing your money. Yvette, what I want to tell you is that actually wrote about ableism in our country and how it contributes to financial challenges for the disabled population. In my research, I came across some really great experts. Now, I don't know if they are financial experts, but they are very experienced and very knowledgeable in how to navigate the systems, how to advocate for yourself. One is Mia Ives-Rublee. She's Director for the Disability Justice Initiative at the Center for American Progress. Mia was born disabled and taught me a lot about navigating Social Security, the importance of advocating for yourself in hospital rooms with your doctor.

Emily Ladau is the author of *Demystifying Disabilit.* Sshe was actually on So Money. Her book is an approachable guide to being a thoughtful, informed ally to disabled people. So she wrote this really for everybody who wants to support this community. The subtitle of her book is *What to Know, What to Say, and How to be an Ally.* She was really great. I'll put that link in our show notes. I'll also put the link to my article, How Ableism Contributes to the Wealth Gap in America and What We Can All Do About It.

I spoke with Emily Rapp Black. She's an author, but she's also someone who has been living with an amputated leg. So in our conversation, which was actually on So Money, and then I extracted some of our discussion for the article, she talked about how, one, she's been occasionally disrespected at work by coworkers. She's had a fear of not qualifying for health insurance, back when it was lawful to shut people out for having a preexisting condition. She has spent thousands of dollars out of pocket every year to tend to her prosthetic leg.

So what you're bringing up is so important. We need to continue to recognize the challenges, the systemic issues that plague the community of disabled Americans, disabled people all over the world. One in four adults in America is living with some kind of disability that majorly impacts their life activities. That's according to the CDC, and 25% of those individuals with a severe disability between ages 18 to 64 are living in poverty. That is more than twice the rate of those who do not have a disability. So thank you for bringing this up.

As we continue to curate the NextUp list and discover the new next voices in personal finance, we don't want to just feature people with racial or cultural differences, but also people who come from different life experiences, whether it's someone who comes from the experience of being disabled, people in the LGBTQ+ community, people who came to this country undocumented, what their plight was and how they navigated their finances. Please continue to tell us who you want to hear from, and we'll do our best to deliver.

Okay, Tasha has a question about whole life insurance. Here's her question. She says, "Farnoosh, it seems like every financial podcast adviser is advising against whole life insurance. I agree with the reasons, but my sister has whole life insurance that she wasn't putting money into for years. She told me she likes the plan because she is guaranteed to get money back, unlike term life insurance. She's also very nervous about money and has had some financial trauma in the past. I know you've done an episode on insurance before. But wondering if you had any advice for me when I talk to my sister about this type of insurance. I know it's an individual choice, and I want to honor her choices. But I also want to be able to give her a different point of view, in case she's open to hearing a different side. Thanks so much."

All right, Tasha, what a nice sister you are. I agree with you that if your sister feels comfortable doing this, she can afford doing this, fine. She's an adult. She can make her own decisions. But I think maybe coming to her with a different perspective, just an FYI to get her to maybe expand her thinking around this and consider something that maybe she hadn't before to do something differently, it's never bad, but you want to make sure that there's an invitation for that. So feel her out first. See how she's doing. Then I would say this. I would say that whole life insurance, as you know, is expensive. Comparing that to a term life insurance policy, it's several times more per month. That's one thing to really consider. You have to wonder, is it really worth it?

Those who advocate for whole life insurance, especially those who are insurance agents, they will tell you that it's a wise purchase because, one, it's not just insurance, right? It's an investment. There's a cash value that's guaranteed. It's guaranteed to bring a certain level of growth. You'll benefit from the tax deferred nature of that growth. But the tax deferment is not unique to whole life insurance. You can do that through an IRA, a 401(k). 401(k)s and IRAs tend to have much higher rates of return over time than whole Life policies.

So what I would tell your sister is, yes, you are right. Whole life policies offer one really big awesome thing, which is a guaranteed source of income when you need it at retirement. But that's kind of it. By the way, you're paying handsomely for that guarantee. Instead, you could open up – Forget term life insurance because maybe she's already like not interested. Instead, you could open up an IRA. You could open up a 401(k). For a much, much, much smaller fee, invest into this portfolio over the next 25 years or so. You mentioned that you're both in your 40s, so you won't need this money for at least another two decades. Here's what it's projected to earn because here's what historically the market has done over 20 years. By the way, the market is suffering right now. So you're going to get in at a lower price, compared to, say, two years ago. You're going to get in at lower prices, lower stock prices, lower fund prices than, say, two years ago or even 10 months ago.

So that's what I would outline to your sister. You can say, "I get it. There's this huge benefit that you're going to have guaranteed income at retirement, but that guarantee comes at a very expensive price, and that price includes not just the premiums but also the fees that you are paying to keep this going. If you compare this to opening up an IRA or contributing to a 401(k), which has that tax deferment, that tax deferred growth, similar to a whole life insurance policy, you historically will do much better than what a whole life insurance policy vows to return on average."

Personally, too, I worry about products like these that you have to pay in every single month or else. Or else meaning like the policy goes away. Is that – What if you have a setback? What if you lose your job? What if all of a sudden a health bill arrives, and you have to prioritize that, and you can't make this whole life insurance premium for a month or two? Guess what? That policy will probably go bye-bye. So I get the importance of having insurance. I have term life insurance, but it's much more financially feasible. The fee, the premium is much, much lower. Then I know that it stops after I've decided, when my kids turn – I think it's like 20 years old or 25 years old. If I need it before then, well, good thing I have the insurance. But I can make this payment, even if I stop making money today. For the next year, I have enough in savings to address this insurance.

Whole life insurance, I probably wouldn't be able to make that payment when struggle hits. You can have your sister listen to this podcast. How about that? I'll be the bearer of bad news. But I really appreciate that you're looking out for your sister. I do think another worthwhile thing to point out is that when you hear about the value, the benefits of whole life insurance, who's telling you this? It's the salespeople who are incentivized, who are getting rich off of these products. If you talk to somebody who's just objective, who's looking at the information and assessing it without any stake in the matter, chances are that person will say you're better off just investing in the stock market or taking out a term life insurance policy or both. Skip the whole life insurance. But listen, if you've got the money, and you can make the payments, and you're wealthy, and you like the idea of having guaranteed income in retirement, fine. But I don't think that's most of us, right? Tasha, thanks for your question.

That is our show. Ladies and gentleman, thank you so much for joining me. I know that you have a lot of options out there. You could be listening to a lot of different podcasts. You chose to be here. You chose to be here till the end if you're listening to this. If you like what you're hearing and you've been committed to the show for some time, I would love to hear from you. Leave a review. I pick, as you know, a reviewer every single week to get a free 15-minute money session. Make sure to subscribe, share with a friend. That's how we keep the show going. It's all on you. No pressure. Thank you again. I hope your weekend is So Money.

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