EPISODE 1485

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FT: So Money episode 1485, Ask Farnoosh.

[INTRO]

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FT: Welcome to So Money, everybody. Friday, March 10th, 2023. It is Farnoosh, and you're listening to Ask Farnoosh, your chance to have your questions answered on the podcast. You know, this is like the most popular show of the week. I could interview the most famous person, and I have interviewed a lot of famous people on this show. You just want to hear each other's questions. What does that say about us? I kind of love it. I kind of love it.

Today, we're going to talk about negotiating your job offer, spousal Roth IRAs. Craig in the audience wants to know, "Is it better to make an additional principal payment on a mortgage or invest that money in, let's say, an index fund?" Lola has a housing question, wondering when is it a good time to borrow money against your stock portfolio to pay for a down payment on a home.

So I thought I'd start with a question. Trust me, I'm going to get to the reviews and some of the other housekeeping stuff. But first, I just want to open with a question that I think is likely on a lot of our minds, especially if you are interested in buying a home. We are in the thick of it right now, the spring home buying season. It's not officially spring. But as our real estate agent told us, the official kickoff is after Super Bowl. That's when a lot of homes go on the market, except this year, at least in Montclair.

It's been a for sale sign desert. So slim are the pickings that I got a phone call the other day from a local number. I always pick up the local number because I'm worried it's like the school or someone in town who is like you left your wallet at the coffee shop or something. But anyway, I picked it up. It was a local number, and it was a top real estate agent in the town. She actually represented the sellers of the home we eventually bought. She's top notch. She called me, asking do I know anyone in our neighborhood looking to sell, and I didn't.

I said to her, “It would be really unusual if someone in her neighborhood was going to sell.” Because if you recall, like us, the last two three years has been nothing but turnover on our street and the adjacent streets. I feel like if anybody was interested in selling and buying, it has already happened. That ship has sailed. So I said I'd keep an eye out for her. Lo and behold, there is a house that came on the market just recently. The people have only been living there since 2020, interestingly. But it's one home.

Last year, there were like 10 homes in our five-block radius that had for sale signs. So I wrote about this recently in my newsletter. If you're not subscribed, I have the link in our show notes about how to approach this market as a buyer with this still ongoing competitive seller's market. It is a seller's market, even with the low inventory because there is more demand. Even with people going to the sidelines because of interest rates going up and the uncertainty in the economy and the job market, we are seeing fewer buyers. But there is still not enough inventory to support even the fewer number of buyers on the market.

So my advice, if I were to go and try to be competitive in this housing market, first things first, get pre-qualified, ASAP. You don't want to let logistics or paperwork slow you down or derail your buying plans. In my mind, I'm like, “I'm going to have all my ducks in a row.” I can’t, obviously, control the process because there are so many players in this, right? There's the seller, there's the bank, and you got to hope that they're also going to be quick to respond. But it's not going to be because of me. Like I'm not going to delay this because I didn't get the right paperwork done on time.

Along those lines, getting pre-qualified from a reputable lender is number one step. It confirms that a bank has done a quick exam of your finances, trust that you can borrow a certain amount of money to buy the home. Often agents and definitely sellers will not work with you until you have this squared away. The process will take maybe a day, maybe two days, but definitely not longer than two days. It's worth getting it done ahead of time.

Step number two, get the best possible real estate agent. It's hard to know ahead of time 100% if this agent is the best. But if you look at their track record, you want to look for a winning streak of sales. I do like to see at least 10 years of experience because that means they've been through the ups and downs in the market. Just like working with an investing expert, I don't want to work with somebody who only just started investing like after the Great Recession, when the market just went up, up, up, up, up. You want to work with somebody who knows how to navigate and steer during the turbulent times and the good times, but also like the weird, awkward, uncertain times like now.

Experienced agents, and you can ask them up front, have resources, good resources. Ask them like, “Do you have a rolodex of local contractors, inspectors, bank lenders, mortgage brokers?” Because when your bid gets accepted, it's a sprint to that finish line, and you don't want to start then researching the who's who of all the things that you need to get done. You want to know exactly who to go to for your loan. You want to know exactly who to call for the inspection.

A few other tips. One, let your agent know which streets you love. Really examine the town and narrow it down to like a 5 to 10-block radius because like that agent who called me to learn about listings, it was probably because she had clients interested in our section. She wanted to get dibs on the prospective sellers and listings in the area. So letting your agent know where you want to live, specifically within that town, allows them the opportunity to go and hustle for you with directionality because many homes don't even go to the market. They get intercepted by an agent and a very determined buyer, and they just close the deal behind the scenes. The agent who's going to work for you in that way is a keeper.

Also, two things. Learn the seller’s goals. We did this before we made the purchase. I wanted to know what was their timeline because if they wanted to, say, sell but then rent back the home until the summer when school was out, versus immediately wanting to sell and have us move in. That's important to know because you want to present your offer with some of these add-ons that will be music to the seller’s ears. If you know that the seller does want to, in fact, sell the furniture too. Asking the seller’s agent for this information can, again, help give you a leg up. Present an offer that is really compelling.

Then the other thing is in that offer letter, saying that you would pay for minor repairs. You want to do an inspection. I don't understand those in the last few years who just bypassed the inspection. I would never ever do that. So once you do the inspection, you'll probably get like some sort of punch list from the inspector like, “Oh, it needs a new roof.” Well, you shouldn't pay for that. But there's a crack in the downstairs window, or there's a leak in one of the faucets. Maybe you'll take care of some of these minor things.

Again, just to present you as a hassle-free buyer, someone who's really motivated. That's what buyers really love at the end of the day. They love money, but they also love an easy buyer. So good luck out there. Remember, there's always the summer to keep searching. A home is a very, very, very important big life decision. It's not just a financial decision. It's a life decision, so don't rush into it.

All right, switching gears quickly to recap the episodes from this week. On Monday, a different kind of episode for us. We talked about veganism. I'm not a vegan. I never even thought about it once. I love cheese. I love eggs. More than I love meat, I love cheese and eggs. Dairy is my department. Fortunately, I can handle it, unlike other people in my family.

But Toni Okamoto was here. She is a wildly popular vegan expert chef. *Plant-Based on a Budget Quick and Easy* is her new book. We talked about food in general, like how to not let food go to waste, easy, inexpensive vegan meals, and then also the cultural awkwardness sometimes that can come when you're the person in your, say, big fat Greek family or big fat Persian family or a big fat Mexican family. You're like, “Hey, everybody. I'm not going to eat the meat anymore. I'm eating just plants.” What do you do? Because people can be put off by that. Maybe you don't care, but let's be honest. When we gather with family, it can become an issue. Toni had experience with this and was very, very honest about how to navigate.

Then on Wednesday, we welcomed back to the show Dr. Shefali, who has a new book, *The Parenting Map.* Dr. Shefali is a New York Times bestselling author of many parenting books, and she is Oprah's Favorite parenting expert. She has a PhD in Clinical Psychology from Columbia, and she invented the Conscious Parenting Institute. You've read *The Conscious Parent*, right? Parents, you’ve read this. If not, please buy it now.

Also, *The Parenting Map* is the how-to of *The Conscious Parent* book. So this was something that was long in the works. Dr. Shefali came on the show and talked about the big lies we tell ourselves as parents. To support her and support you, I've got two copies of her book, *The Parenting Map*, that I'd like to give away. Listen to that episode. It was this Wednesday. Leave a review in the podcast review section of Apple. Let us know what you thought of that episode. I'll pick two winners next week.

Speaking of book winners, let's head over to the review section to pick out reviewers who will win Tara Schuster's new book, latest book, *Glow in the F*cking Dark*. One, lauren on long island. Number two, Lore.MH21. You both get copies of Tara's new book. So here's what you need to do. Sorry, I'm putting you to work again. You have to email me, farnoosh@somoneypodcast.com. In that email, let me know that you left this review and put your address in that email or wherever you want me to send this book, and I will do it. I'm going to go directly from online. So expect it as soon as you send the email. It should be at the address that you provide within a few days, maybe even sooner. Thank you both for participating.

By the way, your reviews, let's read them. Lauren on long island said, “This Tara Schuster episode was eye-opening to the fact that people can suffer from financial emotional abuse at the hands of their family and I'm sure a multitude of other sources. It really made me sit and wonder how my personal financial views have been affected by my parents who were and are complete opposites on the spectrum of financial wellbeing and planning.”

Lore said, “I need to read Tara's book. I can relate in several ways to her stories, especially about her layoff. It happened to me two weeks before the pandemic. But now, I'm a different person. Thanks to that episode in my life. But thanks for the tips on self-care and reminding me that when we heal, we heal our community and our family. I hope I win the book.” Lore, I love that part of the episode too, when she talked about how when we are good to ourselves.

Here's the other bonus. When you're happy, others around you feel that happiness. When you are whole and you are more grounded and you invest in yourself for your wellbeing, that has ripple effects. That's quite motivating when you think about it, that I can heal others through my own healing.

Okay, let's now get to the money mailbag. First up is Jamie, who wants some advice around negotiating benefits, particularly in the health care sector. Here's her question. “Farnoosh, I'm on the job hunt as a new nurse practitioner, and there are some hospitals that have salary grids in which the salary is based on years of experience, and it's non-negotiable. However, I've read that, oftentimes, benefits are negotiable like relocation, hiring bonus, and other fees. What to ask for in this situation?”

Okay, Jamie. Great question and heads up on Wednesday, which is equal pay day. I've invited back to the show Alexandra Carter, who's the author of *Ask for More.* She is one of the best negotiators in the world. She provides seminars at the UN and at Fortune 100 companies. She's a contributor to MSNBC. I had to have Alex back. She actually talks about some of the things that we do not attempt to negotiate, but we really, really should. Benefits is one of them.

We often think that they're not really negotiable, like it's just the salary. But, no, there are so many extraneous things that as you start the job and as you transition to the job will become so important to you and your success. So, yes, I think that you should ask and talk about all the things you state; relocation, hiring bonus. Do some human research. You said that you have read about this. You need to talk to other nurse practitioners. I don't care where they live. Find them. Ask them. When you signed on, did you talk about this sort of stuff? Did you negotiate this stuff? Do you know anybody who did? You got to get some human intelligence on the case.

Talk to the other nurse practitioners that you went to school with, that have negotiated. Even if they haven't, they may be able to tell you based on their instincts or what they have heard what to say, what to ask for. But I would, if I were you, Jamie, make a list of all the benefits that you want. The ones you list like relocation, reimbursements, hiring bonus, all great. All should be on that list and I think totally within the realm of the negotiation.

Think about, also, what are the expenses that you will have that are out-of-pocket like the relocation costs that are going to – that will be required of you as you transition to this job and as you do this job. So our neighbor is a pediatrician. She has around the clock dry cleaning that comes to her house and takes her stuff and dry cleans it and brings it back because you can imagine like working in a hospital, you want to be clean. I wondered. Is that something that she is getting the hospital to pay for? Or at the very least, it probably is a tax-deductible expense. If it's for things like her white coats and things like that, ask for dry cleaning.

This is the question you want to answer. What are the ways you're going to set yourself up for financial success in the future at this hospital so that this job doesn't become a costly thing? That's where you'd start. I think you just have the conversation, when the conversation comes up, when you're talking about compensation, bringing you on board. As Alex said, and you'll listen to her episode on Wednesday, it's much easier to negotiate hypotheticals than when you're in it, and you need it, and it's time-sensitive. It's not likely you'll get it.

Along those lines too, she said, “Negotiate even your severance.” So if there is a layoff, what will you get? Not everybody can negotiate this. But I love this elevated way of thinking that like I should probably be thinking about my future self at this job too, not just day one salary. But what about year two and year three and, oh, my gosh, what if the business folds or I get laid off? Again, these are things that we don't negotiate. But we really, really should. I loved this line from the interview with Alex. Jamie, take this to heart and everybody else.

If you're not somewhat scared or uncomfortable asking for more in the negotiation, then you're not asking for enough. You're not doing it right. So, Jamie, the fact that you're coming to me a little nervous with this question suggests to me that you are on the precipice of asking for the right things. Don't interpret this fear as, “I shouldn't do anything. I should just take what's given to me.” Interpret this fear as you have a lot to not just lose but to gain with the right asks. So make that list of what you want today during the job and even when they say goodbye to you. What are you going to walk away from that job with? Is it three weeks’ pay? Is it four months’ pay?

Going back to what someone asked in an earlier Ask Farnoosh, along the lines of negotiation, she said, “I don't want to ask something and then I scare them.” You're not going to scare them. If you and the employer settle on terms in one conversation or one email, that was on a successful negotiation. There needs to be back and forth, and employers expect it. So don't let that fear confuse you into thinking that you have to stay quiet. Let it encourage you to ask for more.

Okay, next, spousal IRAs. An audience member wants to know, Mary wants to know, “Can you please inform the “uncompensated working parents” about the spousal Roth IRA?” First of all, Mary, I love that you call them the uncompensated working parents, as opposed to stay-at-home mom or stay-at-home dad. You're literally spelling out the problem with this situation, which is that these very hardworking caregivers. I'm a parent, and I work, and I will tell you that parenting is exponentially harder than working in my business any day. So to be uncompensated for that is a crime period.

Now, there is, fortunately, at least something that if you're married, that is, that the working parent can do to ensure the future financial security of their very hardworking, uncompensated working spouse. It is this, the spousal Roth IRA.

So we know about Roth IRAs, right? It's an excellent tool to save for retirement. Your money grows tax-deferred. It allows you to lower your taxable income in retirement. You have to have a job to be able to contribute to and benefit from the tax incentives of an IRA. But even so, there is a way for spouses who do not work to have their own IRAs, and it is through a spousal IRA. How it works, the spouse who has an earned income gets to contribute on behalf of the partner who doesn't work for pay. This money goes in theory to help them for their retirement.

The good news is that the spouse who works can have his or her own Roth IRA. Additionally, the spouse and you can fully contribute to both. So the contribution limit this year for one Roth IRA is 6,500. Additionally, 6,500 for the spousal IRA, so that's a $13,000 tax incentive right there for the family. Now, if you get divorced and you were the nonworking parent benefiting from that spousal IRA, you get to take it with you in the divorce.

This is a brilliant way to support a non-compensated working spouse. Help them create some sort of financial security. We need more of this stuff. We need more of these vehicles to protect and help families. Caregiving is no joke. It should be paid for. Our country does not respect. It does not recognize the value-add to this country when caregivers fully dedicate their lives to caring for other people. I mean, if we had no one looking after anybody, what kind of a country would this be? We need to recognize these people. Give them compensation. Move on and upwards.

All right, now, the last few questions here are about housing and real estate. Craig wants to know, “Am I better off making an additional principal payment on a mortgage each month or investing that money in an index fund, until I have enough to pay off the mortgage?” All right, Craig, this is a very popular question. It is a common question. I think it comes down to plain old math. If your mortgage has a low interest rate, which if you bought a house before 2022, it's probably got a very low interest rate, maybe 3%.

So the question becomes where does the smart money that wants to get the best return on investment go? Is it to the mortgage that has a three percent interest rate? Or is it the stock market, where historically over many, many years, 10, 15, 20 years, we're seeing average yields of eight percent, sometimes more? Not to say that some years you'll lose money. But over time, that is the average.

Unless you have a mortgage that has, I'd say, over eight percent interest, which even if you bought a house today, that wouldn't be the case. I mean, I would hope not. I mean, maybe if your credit scores really, really bad. But on average, at last check, if you had a decent credit score, mortgage rates were hovering around six, maybe seven percent. So I think the smart money goes into the stock market.

All right. Lastly, Lola in the audience wants to know, “Hey, Farnoosh. When do you recommend borrowing money against your stock portfolio to, say, pay for a down payment on a house?” All right, very sophisticated question here. Billionaires do this a lot. They will use their stocks as collateral to then go and buy other things to fund their lives. This way, they're not actually cashing out the stocks and then paying taxes on them. They're just basically collateralizing the stocks, which is a fancy way of saying they're borrowing against their portfolio of stocks.

It is not without risk, especially when you look at the stock market now and see how volatile it is. The volatility is not just a new thing. This is something that we have to always anticipate with the stock market. So this is important because when you borrow against your stocks and then your stocks fall, some banks may say, “You got to pay us back quicker.” Because imagine, it's like taking out a loan against the equity in your home. If we're comparing here, you're talking about taking out a loan against the equity in your portfolio, which you can do. If you have a brokerage account, you can talk to your bank about that. They can set up a loan for you possibly, a line of credit for you possibly.

Like a HELOC too, you take out a line of credit against the value of the equity stored in your home. The risk there too is that if the home value drops, that could complicate things. But how it works and when you might want to consider it, back to our question here, you can ask your brokerage firm or your bank to set up an account for you, where they take whatever you want to borrow from your brokerage account. Sometimes, there is a minimum. They take that, and they put it in a separate portfolio, and they tie a line of credit to that account.

I'm not sure what the interest rates are on these loans and lines of credit. We have to assume that with rising interest rates affecting all sorts of lines of credit and credit products, this is included. So three years ago, it would have been cheaper maybe to do this than it is today. I think that for you, my friend in the audience, what you want to consider before doing this is how badly do I need this money for my future, beyond this home.

If this was money that you had invested for your retirement and you have no other retirement vehicles, I wouldn't do – I wouldn't compromise it. But if you have a 401(k) or if you already have an IRA or both of those things, and the brokerage account was sort of icing on the cake, it was this supplemental account for your future, and you want to borrow against it for this sooner goal of buying a home and the down payment, something to consider. But really have a plan for how you're going to pay yourself back to offset this debt. You might borrow less on the mortgage, thinking about, okay, this is the monthly payment that I can make towards this house. This includes now a down payment loan against my stock portfolio, but nevertheless another loan.

If you're planning to take out x for the mortgage, now maybe it's 80% of x because you have to also borrow for the down payment. You want to essentially make your financial life as simple as possible. Debt can be very helpful to us, but we don't want to over load on the debt. Owning a home is no small feat. There are so many expenses outside of the mortgage. There are taxes, maintenance, repairs. Now, you're throwing onto the monthly financial responsibility a payment back to your brokerage account because you borrowed to pay for the down payment.

So just thinking about the future and like if you're going to do this, how are you going to balance this? Yes. You don't want to just keep adding debt to what is already a big financial liability, owning a home, right? Having to really think this through, plan this out is critical to the success of this strategy. Thank you for your question and good luck.

That's our show today. Big announcements around *A Healthy State of Panic* next week. If you're following me on Instagram, you've been seeing me post more and more about the book and takeaways from the book because it's all building up to a big announcement next week. You don't want to miss out. Thanks so much for tuning in, and I hope your weekend is So Money.

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