EPISODE 1500

[00:00:32]

FT: Welcome to So Money, everybody. Friday, April 14th, 2023. Episode 1500. What does it feel? What does it feel like, Farnoosh, to have hosted 1500? More than that actually, because I don't number all the episodes. This week, we had a bonus episode about succession. If you haven't listened to that, run. First, listen to this episode though.

This episode is our technically legit 1500th episode. Eight years. In that time, two kids, one home renovation, two moves, a pandemic. Started and closed a business. Started jobs. Ended jobs. Had a TV show on CNBC for a hot second. Remember that? And now, finishing the year with a book. *A Healthy State of Panic* comes out in October.

And in some ways, that is the culmination. Not that the show's ending. But it is, of the last eight years, a culmination of interviews, life experiences, my minglings with fear. I mean, can you blame me? But how it all kind of worked out? Right?

And I want to give this book to everybody who has ever felt like being afraid was not cool. And yeah, it always shows up in your life, and you're like, "You know what? I'm ready to have a healthy relationship with fear. Because if I don't, bad things will happen." Right? When we don't have a healthy relationship with fear, that's when bad things happen. That's when we make split decisions. We make split high-stakes decisions and then we pay the price.

This podcast, all through that, has been the anchor. And that is not to say that it hasn't evolved, right? This show has totally changed in many ways. It began as a seven-day-per-week show. But then I lost my voice. And that's what I knew. It was probably time for a switch.

I went to five days a week. Skipped the weekends. Gave myself a little bit of a break. And now we're at three days a week. I think this is the comfort zone. But along the way too, we pivoted the scope of conversations. If you've been with me from the beginning, you know that we went from highlighting experts and their expertise, which we still do to some extent. But now we like

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to really dive into topics and issues and talk about money at the intersection of all of life's gifts. Like business, and health and relationships.

We talk about money and race, money and gender, money and equity. What can I say? This is my proudest and greatest professional achievement? And if you've been with me for two days or eight years, I am so grateful to have you in the community. This show could not have gone on for as long as it did, for as long as it has, without your input, your support, your feedback. Seriously, that's it. That's what I think about hosting a show 1500 episodes in. And hopefully the next 1500 will be just as entertaining, exciting, unpredictable.

In the run-up to this episode, you may have caught it on Instagram, I went to Cancun. Yeah. Me in Cancun in my 40s with two kids. I recommend it. We stayed at an all-inclusive resort. The trip was fantastic. Great weather. Great people. I even managed to work out a few days a week. I saw a baby crocodile.

The resort was also huge. I walked 10,000 steps every day. Got my steps in, which made up for the months that I live in the suburbs and don't get out much. There were some cons though. Nothing to do with the resort. Nothing even really to do with Cancun.

The flight, it was going to catch up to me at some point. I've gone through the pandemic and post-pandemic without much to report on my flights. My Flights have mostly been on time. Mostly no events. But this flight out of Newark, firstly, it was sorely delayed. We woke up at 5AM in our house. Got to the airport. Then we boarded the flight on time. It was an almost 9 AM flight. But we sat on the tarmac for about three hours for various reasons. First, it was like a mechanical issue. Then it was gas.

Finally, we took off. We're like, "Okay. You know what? That was horrible. But we're in the air now." That's all that matters. And then 30 minutes into the flight, the pilot says, "I'm sorry to tell you, I'm not really liking the way the plane is handling the turbulence. And it's only going to get more turbulent because of the storms on our way to Cancun. We're going to emergency land in Washington, in Dulles Airport." What? Did I really hear that correctly? We're not continuing to fly? "No. We are, in 30 minutes, going to be on the ground, ladies and gentlemen."

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And okay. This is unexpected. Then we get to – I mean a part of you is grateful. Like, okay, this pilot is not taking any chances. And so, I have to be grateful for that. But if it was just me or just me and my husband, no big deal, right? We order a glass of wine and we'd make a day out of it. But with two kids – huh.

We got to Dulles and they gave us all $15 each to go eat something. That bought us each a bottle of water and some Doritos. And we arrived around noon, which was supposed to be when we were supposed to get to Cancun. But we got there at noon only to discover that our next flight was going to be around five o'clock. And then we got to Cancun finally around 9:30 because that five o'clock flight actually was like more like a 6:30 flight.

Anyway, way got to Cancun. We traveled the whole day on Saturday. Up in the air, down. Up in the air again. Whatever. We made it, right? I guess it was kind of a great way to start the vacation because it can't get worse than that. Can't be worse than that, right? And Cancun delivered.

Expensive in the Cancun Airport though. On the way home, I had some pesos to spend. I wanted to get rid of all my pesos. Got some lunch and couldn't – I walked back to my family and I was like, "Did I just really pay $40 for four slices of pizza?" I went back because I wasn't sure. I thought maybe there was a mistake. But there it said, one slice of pizza was 168 pesos, which the exchange rate was about 16 to 18 pesos for every dollar depending on whatever was going on in that moment. Most expensive pizza from Familia Pizza, no less. This isn't like Gourmet Pizza. A chain is getting very rich in the Cancun airport.

All right, shifting gears to this week's shows. I mentioned we had the bonus succession episode. That was actually me on another podcast called Fake the Nation, hosted by my friend, Negin Farsad, who is a professional comedian, producer, actor, podcast host.

She is doing a weekly recap of succession season four and bringing on her friends who have any interest in the show, who might have some perspective, because we cover money and wealth, to come and give our two cents on – oh, my gosh. I'm not going to give any spoilers. But man, oh man. Episode three. Didn't see that coming, right?

If you're interested in continuing to learn about the episode because you can't get enough, check it out. The bonus episode, it's a re-airing of Negin's episode. You can also go to Fake the Nation and subscribe so you won't miss the forthcoming recaps.

Okay. Also, this week, we had on Dan Sheeks, a repeat guest, who was on earlier this year talking about kids and money. He came back to give us his ultimate parent money hack for the teens. How do you get your 15-year-old to get smart with money?

And then Carly Cylinder, who is the founder of Flour LA, a flower design studio, consultancy. She's actually an avid listener of the podcast. Has been listening for all these eight years. It's very much a full circle moment to have her on the podcast as somebody who could talk about how the show has helped her. But mostly about her business and how she started it in a recession, navigated the pandemic, changed the model almost every single year. And then runs this solo operation for the most part. By the way, she said, "Flowers, not my passion." Appreciated the honesty. Check those episodes out if you haven't.

Reviewer of the week. Can we give a free 15-minute money session away? Sure. This week we're going to say thank you to Ryan, who wrote a review calling the show "absolutely informational". "Amazing podcast," says Ryan. "Whether you're already financially wealthy or just beginning your journey to wealth, this is where you should start or continue. I feel like I'm in the middle of my wealth journey and I get so much out of listening to this podcast. Thank you, Farnoosh. Always excited to hear the next one."

Well, Ryan, would love to connect with you. Email me and let me know you heard yourself on the show, farnoosh@somoneypodcast.com. And I will follow up with a link for you to pick a time for us to chit-chat about your money, your mid-journey money stitch.

Okay, you've been very patient. We're going to go to the mailbag now and answer Heather's questions. Two questions. One about investing. Another about helping her aging parents with their finances. A little bit about Heather. She's from the US, but she lives abroad. Avid listener of the show. Her job comes with a 401k, stock options, RSUs, which stand for restricted stock units. It's another type of equity compensation some companies give their employees. All that money is sitting in one brokerage account.

Her question is, "I'm looking to diversify, Farnoosh. I'm looking to diversify my portfolio away from my current company's stock into a few selected stocks. Is it smart to diversify my portfolio or maybe move some of that money to a different brokerage?"

Okay. She sounds like she has a substantial amount of money with her company, her company's stock. She's got the stock options and the RSUs. The 401k, I'm not worried about. Even though it's even though it's sponsored by her company, it's not invested in her company's stocks, right? It's invested in whatever the 401K is invested in. Hopefully it's a diverse number of stocks and bonds. Large cap, mid cap, small cap.

But you asked a good question, Heather, about the remaining investments that are all tied to your company. The rule of thumb – ready? Ready for this? The rule of thumb, as far as how much to be invested in your company's stocks or any one particular stock – so this applies to not just your company but any particular stock, brand stock, company stock, Apple, Google, Amazon, McDonald's, whatever, is 10% maximum. 10% maximum out of a – in your diversified portfolio, you never want to have more than 10% in any particular stock.

That's why mutual funds are great, index funds, ETFs, because they diversify your exposure. I learned this from none other than Sallie Krawcheck, who is a Wall Street titan. One of the leading women on Wall Street. She's the founder of Ellevest, which is an online brokerage.

But she remembers, in the recession, when she was at the helm of one of the companies, one of the banks. I can't remember right now. But she was more than 10% percent invested in her company. And that's like a lot of people who are high up in a company, at the executive level, at the VP+ level. They'll be given a lot of stock options as part of their total compensation. But the risk you run is that the stock price could fall. And if more than 10% of your investments are attached to one type of stock, that's more risk than you probably want to take on.

And so, before you make any moves here, Heather, the question is how much are you invested in your company's stocks? Is it more than 10%? And if it is, then, sure, maybe you want to divest a little bit and move some of that money over to something more diversified, other stocks.

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I wouldn't worry about that all this money is sitting in one brokerage, except to say that you know how banks have FDIC insurance. That protects your deposits up to $250,000, generally speaking. With Investments, there's no FDIC insurance. But there is SIPC insurance, which stands for the Securities Investor Protection Corporation Insurance. It protects customers if their brokerage firm fails.

The insurance is $500,000 in a brokerage account. Some people like to diversify. At that point, if they're investing more than $500,000 with a particular institution, a particular brokerage, they've got more than $500,000 in a in a portfolio somewhere, they may want to go somewhere else once they reach that threshold just to, again, ensure that they're insured as much as possible.

This isn't to say that everyone should do this. I'm not doing this. This SIPC insurance, I should mention, it doesn't account for like if you lose money in the stock market because the stock market went south. This is if the bank fails. In the event your broker, your robo-advisor financially fails and then your assets go missing or they get depleted for some reason, the SIPC will step in and recover your assets up to $500,000 of coverage.

To answer your first question, I would diversify those investments if you're more than ten percent invested in your company stock. Wouldn't worry too much about where that money is parked, the Brokerage. As long as it's a reputable brokerage, you are SIPC insured in those accounts. And if it makes you feel more comfortable, if you've got more than half a million in there, you could move it over to another reputable brokerage. Just make sure they are charging you competitive low fees.

Now her second question has more to do with family and money. She says, "A question for me and my brother. We're trying to determine our plans for our parents, long-term, as they get older. They all live in the states. I am abroad. My parents have significant monthly medical bills. My dad still works in his 70s. My mother does not. They have a house paid off. They do have some debt from a loan and credit card debt. If my dad were to unfortunately pass away first, we assume that my mom takes on any of his debt as everything is both in their names and therefore is dependent on us to help her out. If both pass, does the debt go away? Or is it passe to the children? P.S. My father has gotten rid of his life insurance policies over the years."

Yeah. I see why you're concerned here, Heather, because there doesn't seem to be a lot of safety net here for your mother if your father passes away. The fact that she is on the debts as a co-borrower, a co-signer, means that it would transfer to her in the event of his death. I highly encourage you and your brother to talk to your parents about – and throw me under the bus. Say, "I heard this lady on a podcast say how important it is for kids and their parents to talk about what would happen in the what if scenarios."

I talk about this in my book too, you know? When you're afraid of something, which it sounds like, Heather, there is some underlying fear here about what if my father passes and my mother is not working? There is no life insurance. What then? Who pays for the credit cards? Who pays off this loan? There has to be a plan. And the plan can start now. You don't have to wait for the terrible awful. You could decide, "Well, we want to prepare for having some liabilities in the near future." Maybe we sell the house. We don't have a mortgage on the house. Maybe we sell it. Maybe we take out a reverse mortgage.

We talked about that a little bit on the show, where it's essentially a line of credit pegged to the value of the home. You have to be 62 or older to qualify for this. But essentially, it becomes – you get to access the equity in your home and use that as income to pay for your necessities. And then in the end, the home is the collateral. When the home gets sold, then that's when you pay off the reverse mortgage.

There's interest. There're fees. But I'm just thinking off the top of my head that maybe if your mom needs money to protect herself and to shield you too from having to come in and give your money to her, that maybe she starts to think about how she can generate some income using the assets that they have. Whether that's their home. Or could she start a job? Could she start to make some money? Could your parents start to save more? Can they make their debt a priority while your father is still alive? This is really important. Because you're right, that she would inherit this debt.

If they both pass, then the debts would go like to the estate. And so, if they have this home, then – perhaps when you sell the home, then in the sale of that home, that money would go to pay off the debts. I don't think that you would have to worry so much about paying off those bills.

They wouldn't be your responsibility, that is to say. It would be the responsibility of your parents' "estate".

But worth the conversation now. You could figure out a strategy. You certainly could now. And it would be much better to do it now than when you are in the thick of grieving and dealing with the loss of a parent. Thank you for listening to the show. And I hope this was helpful.

All right, next up is Mary, who is hooked listening to the podcast. It's just going to take her a while to get through them all. Well, guess what, Mary? No one's timing you. Do it all on your own time. I'm here for you. She's got a question about offspring number four, as she puts it. I love it.

Her 22-year-old daughter landed her first job in graphics design. She started last winter. And her company offers a 401k after a year of working there. Wow. They really want you to put in the time. Mary says that her daughter will have her 2023 Roth IRA maxed this month. That's good. From that point on, she will be putting money in a high-yield savings account.

Here's the question, "Once she hits her anniversary date at the company, her one-year anniversary date, can she use her savings as well as payroll to put a pile of cash into the 401k? Or can you only make contributions from payroll?"

All right, Mary, this is a good question. I never thought of doing this. Putting my savings into my 401k. The truth is you wouldn't be allowed. 401ks are sponsored by employers. And the contributions have to first come through payroll. You have to contribute with your paycheck from that company. But it is good that she's using the money that she's making since she can't invest in a 401k. What's the next best thing? Or an equally best thing? A Roth IRA. Fantastic.

Now she becomes eligible to contribute to the 401k in December of 2023. That only gives her maybe one or two pay cycles to contribute for the 2023 years. Maybe what you could do is say, "I want to elect to contribute my entire two full paychecks, 100% of my paychecks. Those two pay cycles, have it all go to the 401k." That way she's doing the most she can with her paychecks. Just check with HR. Make sure that she can do this. That she doesn't miss the window to be able to elect for this. Because that's the only way that I can see she could

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maximize this 401k in the 2023 calendar year given that she can only start and finish contributing for 2023 in the month of December.

All right. I want to finish this episode with a personal story that I think would be helpful to many of us. A lot of us bought homes in the pandemic. And the value of those homes went up. Or we bought homes before the pandemic. We hold on to the homes. Now the home is appreciated. Many listeners who have homes, you might have some equity in your home and you're looking at it thinking, "Hmm, what do I do with this? Should I do anything with this?"

A home equity line of credit, HELOC, these were selling like hotcakes during the pandemic and when interest rates were hovering around 3% and credit was so inexpensive. A lot of homeowners smartly, I think, took out HELOCs and set them aside. It's essentially a very, very big credit limit. You have credit cards that usually carry $10,000, $20,000, $5,000 worth of credit limit.

HELOCs are pegged to the equity in your home. If you've got $100,000 worth of equity in your home or half a million worth of equity, HELOCs can be taken out to as much as 80%, 75%, 80% of the value of the equity in your home in the form of a line of credit that then you can draw down on and use as you wish and then pay back with interest.

During the pandemic, a lot of us still got those HELOCs. I did not. And I'm kind of kicking myself. Because come fast forward to 2023, at the beginning of this year, our family experienced a little bit of financial fragility. I'm going to be totally honest. I was coming out of a full-time job. I had lots of work lined up and I had a severance. But I also had a huge tax bill. And this was the year that my former co-founders and I of She Stacks – for those of you, quick story, don't know this. In 2019, I and two other female co-founders started a startup called She Stacks LLC. Our first project was a pop-up museum dedicated to financial literacy for women.

We did the thing and opened in LA. Thousands and thousands of people came. It was a media bonanza. But it did leave us with tons of debt, especially since we were planning to do another event. And then the pandemic hit and we just had to close the business. This debt that we had taken on, this line of credit as it turns out. Long story short, it was a variable interest rate. The

interest rate kept going up. It was becoming just so much money every month. Just mostly interest payments. And it was disgusting.

The three of us decided to get together, figure out a way to pay this thing off collectively and get this bank out of our lives. That left me with a huge hole in my savings account. P.S. Two of the founders, myself and another founder, paid off the third founder's debt. She didn't have the advance. And now she's paying us. We extended a personal loan to her.

In our minds, it was better than paying the crazy interest that we were to this bank. All this to say, those two back-to-back giant five figures of expenses, added together six figures worth of expenses, came our way in a very short period of time. Now I'm a super saver. I've got the savings. But, okay, one more thing happens, and I'm not so sure. You know, life wants to throw another swing at me, I'm not so sure.

Looking at our equity, we bought our home in 2020. In the last three years, it has appreciated. I went to the bank. And there aren't many companies, there aren't many financial institutions that are in this business any longer. There are only a few banks that I trusted that I looked into and ultimately took out a fraction, a small fraction, of our home equity from this bank. Kept it in a glass labeled emergency. Emergency. Emergency. Emergency. Everything else is depleted. God knows what comes at us next.

I've got the this HELOC. The interest rate is around 6%, 7%. It's not the 3% that I would have loved to have gotten several years ago. But nevertheless, it is the cheapest form of credit that I could probably access right now. I'm not going to use credit cards. I'm not going to probably get a family loan.

When would I use this HELOC? Well, I think it would probably make sense the next time something – if something else happens where we have to shell out a high five-figure amount of money who knows for what? I'm not planning on it. But healthy state of panic, as I say in my book. You can panic. But be healthy about it. And so, this is my way of addressing my fears about the what ifs.

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I am a woman who firmly believes that life will throw you things when you least expect it and it might carry a cost and a cost that you're not prepared to pay for no matter how much work you do. Look at me. I mean, I'm financially solid, right? I've got my investments. We live below our means. We have savings. We don't have any debt except our mortgage. And the things that I had to pay for this year were the responsible things; taxes and outstanding debt for a business.

I want to give this advice and this encouragement to you, that if you have home equity, and there is a substantial expense that you have to pay for, whether that's high interest debt, health expenses, other immediate needs, and you don't want to take that out of your savings because your savings for you is psychologically important. But not only that. Important, because in the event that you do lose your job, you want to be able to have that savings so you can quickly and regularly cash flow your life. You don't want to be cash flowing your life with a line of credit. For me, a line of credit is something that you use in a lump sum, right? To pay for something. It's like a one or two-time transaction. Savings is there for those recurring expenses. That's me. That feels more compartmentalizing for me. That a HELOC is for this thing that I'm going to label. And my cash that is sitting that is liquid is going to be there to flow and be there for the day-to-day necessities.

And I don't want to pay interest on my groceries. Or interest on my clothing or gas. I'll pay interest on a big expense that's going to have long-term gains for me. But not on my day-to-day expense. And that's that. You have my permission if you want to take on this debt to help you navigate these uncertain times.

Sounds crazy, right? To say that I took on debt to feel more comfortable. But I haven't used the debt yet, right? That's the point. You've got to get it. You want to get access to it. And by the way, there was a survey recently in the New York Fed. There's a monthly survey on consumer expectations. And consumers think that credit is going to be harder and harder to access in the near term. And if those predictions come true, you don't want to be scrambling to get the credit that you need.

All right. That's our show this Friday. Stay tuned for Monday. We're going to be talking to Jake Cohen, author of *Jew-ish*. Culinary phenom. My new best friend. And also, on Wednesday, how to find power in your voice. Have you ever been told that you talked too high-pitched? You have

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up-talk? You say um too much? I'm raising my hand and my feet here. I've been told all of the things about how I don't talk like a serious person sometimes. Well, too bad. Samara Bay is the author of *Permission to Speak*. And she's here on Wednesday.

Have a great weekend, everybody. I hope your weekend is so money.

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