EPISODE 1512

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FT: So Money Episode 1512, Ask Farnoosh.

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FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. It is Friday, May 12, 2023. Just a couple of days before Mother's Day, which I had totally forgotten about, and my husband was gone this week on a business trip. So, curious to see what the family has in store for me this Sunday. If nothing, I'm okay with that. I know what I'll do. I will just disappear. Used to be the – your first Mother's Day, you had all these hopes and expectations, flowers, brunch, gifts.

Now, as a mother for many years, with two kids, I just want to be gone. I don't want to have brunch with my family. Not right now. I did it last year and it was a disaster. Not so much because my kids couldn't stay in their seats. That did happen. But because they seated us next to the accordion player at a table that was really designed for two people, not four. Ask the waiter for a Bloody Mary, never got it, and they seated us an hour and a half late despite having reservations.

I just find that the Mother's Day industrial complex does not show up for mothers on Mother's Day. Try to get flowers sent on Mother's Day. I've tried to my mother, my mother-in-law, never, ever works. Usually, you have to do it in advance or do a makeup flower situation because FTD or 1-800-FLOWER, or the local florists just couldn't keep up.

I'm just going to disappear. I'm fine just sitting in my car outside of a Starbucks, looking at the Instagram. I don't need much. I just need me time. Wishing that for all mothers out there this weekend. Just get your me time, because it's really important. If we learned anything from the podcast this week, it's that women, we have been conditioned for centuries, since biblical times to deny ourselves, that denying ourselves equals being good. If you didn't catch my conversation with Elise Loehnen on Monday. Please run. Please listen. You have permission to stop listening to this episode and go and listen to Monday's show with Elise.

She is the author of the new forthcoming book, *On Our Best Behavior*: *The Price Women Pay to Be Good*. She used to be the Chief Content Officer at Goop. For a while there, in her career, she was not only at the helm of running the editorial direction of Goop, but also its Netflix show. She was ghost writing books. She's a mom, wife, and it all came to a head where she started hyperventilating for an entire month.

You have to listen to this episode, because hyperventilation may not be what you think it is. It's not like breathing into a bag. It's essentially being unable to catch your breath. You're trying to yawn, and you can't really close on the yawn. I've had that happen to me, and I just thought it was – I was tired or whatever, stressed. But it's a serious thing and it started her research and exploration into why she had arrived in her life, feeling so much stress, despite having accomplished so much, and it led her to discovering the seven deadly sins or rediscovering the seven deadly sins, and how ancient ideas of morality have endured into our 21st century lives, encouraging women to self-deny, self-deny money, and food, sleep, all because we're trying to quote "be good".

It was a fascinating conversation. Her book, I have bookmarked it up the wazoo. It is one of my favorite books on women and why we are the way we are. Check out that episode. Also, get her book. It comes out later this month. You can preorder it now, *On Our Best Behavior*.

Our other interview episode this week was with Dr. Risa Rieger. On Wednesday, we talked about limiting financial beliefs. Really dovetailed Elise's episode where she talked about the roots and the origins of why we have limiting beliefs around money and wealth. Dr. Risa, a clinical psychologist, talked about how she helps her clients. A lot of them, these high-strung New Yorkers, reconcile with their own limiting money beliefs. We walk through her four steps of identifying, processing, reversing, and committing to a new belief around money that can actually help you achieve financial independence.

As I mentioned, my husband was gone this week on a business trip, so I was with the kids. Not single parenting. We don't call that single parenting. We call that maybe solo parenting. My daughter on Thursday morning, she was watching me in the kitchen, like, I'm getting the breakfast, filling the water bottles, wiping down the surface. She's like, "Mom, is it hard to parent just by yourself?” I didn't know how honest to be with her. Because on the one hand, I don't want her to think that it's impossible to be a single parent or a solo parent. But I said, “It is challenging, as you can see, when there's two people. It's sometimes easier to get all of the things done. But every day this week, we have still made the bus on time. You have still left the house fully clothed, breakfast eaten, teeth brushed, so it's possible.”

Is it easier? Honestly, I've been talking to my other friends about this when their spouses go away for a week or a couple of days. It has pros and cons. I'm going to be completely honest. The con is that, of course, you're down to one person. If you have more than one kid, you're outnumbered in the house. But there are some weird benefits, and that I feel like there's not someone to need to constantly be negotiating with, or checking in with, or waiting for to get their tasks done so that you can start your task. Honestly, just my standards drop, when I'm home with the kids by myself. I am not insistent on needing for them to be only on their screens for a certain amount of time or they have to go to bed by certain amount of time. They sleep in my bed. I don't care. I'm a lot less strict, when it's just me because I can't. I got to do work and I'm running a lot. The show has to go on. This show and other shows in my life and their lives. Some things you just got to chill about when it's just you. You got to be good to yourself and take it easy. So that's my parenting 101 advice on this episode.

Let's head over to the Apple Podcasts reviews section and pick our reviewer of the week. I already know who I'm going to pick. I shared it on social media as well this week, because it just made me smile so much. This person knows me so well. abigpen. abigpen on May 2nd left this review saying, “Can't get enough. I found Farnoosh on Instagram. I don't even remember how, but I hadn't heard of her podcast before finding her. I became super interested in learning about managing my finances about three years ago, and this podcast has provided such a variety of guests who have so many different kinds of successes that just make you think about building wealth, and entrepreneurship, and investing in real estate and education.”

“Farnoosh also recommends some pretty cool books. I love that she's giving exposure to people who perhaps don't have 50,000 followers online. They're just knowledgeable people with relatable stories who have a message that they want to deliver.” Here's the kicker, everybody. She said, “I'm also guilty of being a huge fan of her eyebrows.” I mean, you should have led with that. That's the whole review. I mean, that's all I need. As the girl who grew up terrified of being ridiculed for her unibrow, who did take a big razor to that unibrow when she was in the seventh grade, and you can read how that turned out in my forthcoming book, *A Healthy State of Panic*. October 3rd. This just was a very full circle moment for me. Thank you, abigpen. Let's get in touch and have ourselves a free call. You can email me, farnoosh@somoneypodcast.com. Or you can DM me right on that Instagram, where you found me first, and let me know that you left this review. I'll send you a link where you can pick a time for us to chat about whatever you want.

The layoffs are heating up, and I know this because a number of you have reached out to me in the past couple of weeks with news of your layoffs. Today, we're going to dedicate a couple of questions, at least, to folks who have been recently laid off and they have some questions about how to make the most of whatever's next for them. Also, a question in our mailbag this week about money market accounts versus money market funds. This is all in the context of a lot of fear out there about banks failing, and this person wants to know, what are the risks when you are investing in let's say, a money market fund, which we'll talk about as being different, of course, and a money market account. There is no FDIC insurance with money market funds. Your intentions, your goals with using one of these sorts of vehicles, savings vehicles, ought to be different than why you would want to put then, a money market account. We're going to get into the details momentarily.

But first, let's help out our friends who've recently lost their jobs. First, condolences. It's never great. I mean, I think there's always a part of you that might be slightly relieved because you maybe didn't like the job. I don't want to speak for you. But, I know, for me, that's always been the case when they've let me go. Okay, always feel like a little happy but also mostly upset in the beginning, at least. Nobody wants to be told you can't work here anymore. We want to leave on our own terms, and even though some companies, especially the full-time employers with the benefits are giving severance packages, there's a healthy amount of fear that comes with losing your job. And then what happens the days, the weeks, the months that follow?

There's that inevitable concern of I'm never going to find another job, or, will I make enough money again. I'm going to help us out. Laura is our first listener with news of a layoff. She recently got laid off after being at this job for three years. She did get a great severance package. She does have emergency savings. She has a lot of perspective opportunities.

Thanks to her network. She's asking us, me, “What actions do you recommend taking as I navigate this transition period? Should I drop my 401(k) contributions? Thanks in advance.”

All right, well, so Laura, last week, when we had on Nicole Stanley, who is a money coach, and her superpower is helping people with money and mental wellbeing. We talked about the aftermath of a layoff, and how to balance your time, how to feel like you're being productive in the career arena, but also productive in the personal arena, where you're taking advantage of maybe this time off, and the good work of having this emergency savings, taking advantage of that severance package, and making the most, essentially, of this time off. So, I encourage you to go back and listen to that episode for more of that advice.

In terms of technically what you should be doing right now or what I would recommend, I have written about this, and a lot of this stems from my own experience, but also talking to others who have been there, done that, and the things that maybe they wish they had done more immediately, sooner than later, post layoff.

The first thing is you mentioned, you have gotten a severance package, which is great. But have you read the fine print? For full-time employees who get laid off, often there is some severance that includes a continuation of pay for a period of time. Employers are not legally required to offer ongoing compensation. But severance tends to be a common practice. It helps to avoid hard feelings and lawsuits down the road. Because when you sign this severance, it's an agreement that you're not going to come back and maybe ask for more money or sue your employer. Average severance is anywhere from one to two weeks of your salary for every year of service. Unless, of course you worked at Google, and I think the minimum severance regardless of how long you worked, there was like, four months, and then you got more on top of that.

My Google friends out there, I hope you're enjoying this time off. I don't know if you've signed the severance yet, Laura. You said you just got laid off. But I would really look at the fine print, and know that it is a contract, and there is room for negotiation. Be sure that if you have any questions that you have talked to HR, you could consult with an attorney, and maybe there is room for some changes.

If you're not happy with some of the terms, things could be negotiated, like extending your health care, giving you access to job placement services. But you have to act relatively quickly because severance agreements have to be signed within 21 to 45 days, depending on your age, and whether your position was terminated in a group layoff or not. $Don't sign anything without really understanding the terms, without going back and forth a little bit with HR to ask your questions, maybe get a little bit more out of the severance. Of course, if you experienced any workplace discrimination, you want to talk to an attorney about what may be the best next move. I just want to put that out there for anybody else who's going through this too, concern about their severance fine print.

Secondly, you mentioned you have emergency savings, you got the severance, but you can also apply for unemployment. You've been paying for this for your paycheck, and this can help to supplement whatever gaps you may have. You could use your unemployment and your severance before you have to tap your savings, and maybe by then, you've already gotten another job, and so you've never even have to use your savings. I encourage everybody who gets laid off, apply for unemployment. You do this in the state where you worked. The sooner you apply, the better. Each state has its own eligibility requirements. You can usually apply if your job was terminated at no fault of your own, and just go to the Department of Labor website, where they have all of the applications for all of the states. It usually takes two to three weeks after submitting a claim to start getting those benefits. But why not? Start that right away.

Third, secure health insurance. You can get COBRA, which is a federal program that allows you to extend whatever health care coverage you were getting at your job for up to 18 months. It's more expensive than what you were used to paying, because you're going to be paying your coverage, as well as what your employer's contribution was. Then, there is an administrative fee tacked on top of that.

COBRA is an option, but preferably, maybe you're getting some extended benefits through your employer, and that could be something that you could, again, negotiate with your severance, if you haven't signed that yet. The alternative to COBRA is looking for insurance plans on the Health Insurance Marketplace. Really important to secure health insurance, ASAP, if you are not getting it through your employer, because this is one of the big unknowns, when you're temporarily out of work.

Unfortunately, in this country, we are still in a place where our health benefits are largely tied to employment. Yes, we can go on the marketplace, but it's so much more money than getting it subsidized through your employer, right? It is unfair, I think, but it's where we're at. If you're a part of a labor union, or a professional organization, Laura, even if you're taking courses, part time at a local college, you may be able to get access to health insurance at a more affordable rate than through the marketplace. Definitely cheaper than through COBRA. So, explore your healthcare options, really important to secure this sooner than later.

I'm going to get to your 401(k) question in a minute. But next step, I think, it's important to scrutinize your non-fixed expenses. Listen, if you feel comfortable with what you have in emergency savings, plus severance, plus whatever unemployment insurance you're going to get. Maybe you can just keep status quo. You don't have to worry about your expenses. But part of me always feels like there's something I could be doing better in the budget. That may mean looking at some of the subscription services that you’ve assigned yourself, that you've been paying every month, and sometimes you don't even care or use it. You could cut those off, and it could save you $15, $20, $50 a month without any change to your lifestyle. That's extra money that could really come in handy and can just, at the very least, give you more peace of mind as you're navigating this unemployment period.

All right. Now, your 401(k), definitely important to examine your 401(k) options. If you have been let go, know that your 401(k) doesn't disappear. Your contributions definitely stop, though. You can't pay from your paycheck anymore, because you're not getting a paycheck. What your options are with your 401(k) or your 403(b), is can either cash out the account, which I don't like to do, as a first choice. For those of us who may need to, I get that, because maybe you don't have a security blanket. You didn't get severance, but it comes at a price, right? Withdrawing your savings from your 401(k) before you're eligible age of 59 and a half, it's going to trigger a 10% penalty, most likely. You'll also need to pay taxes on the earnings. By the end of it, you're really getting like maybe 40% or just 50% of what is sitting in that account.

The second option is to keep your retirement savings, your 401(k) intact until you decide to move them somewhere else. With those job prospects that you have, if you do land a job in the next three to six months, and you are confident you will, and that's what you want to do, then what you may want is to just let that 401(k) sit idle, and then transferred over to your new employer's 401(k) once you become eligible to contribute there. There's no penalty for that. There's no taxes for that. It's a direct rollover.

The third option, let it sit there for a little bit until you just figure out what you want to do. You don't have to do anything right away. But keep in mind, that if it's less than $5,000, you do run the risk of maybe getting it cashed out after a period of time. Again, this is where you really need to read the fine print. Different 401(k) providers have different rules around when they would write you a check, and cash out your retirement account, and send you a check at home which would trigger an early withdrawal penalty of 10%, and those taxes.

If you don't want that to happen, just review what the rules are at your 401(k) provider, whether it was Fidelity or Vanguard or one of those companies. Then, I forgot to mention this, but you could also do a direct rollover to an individual retirement account as soon as you want. You don't have to wait for a job to show up to transfer that money out to rollover that money out directly into another retirement account. You can do that now into an IRA, a traditional IRA that you can open up either at the existing investment company where your 401(k) is at, if you like them, or to any place else.

The paperwork is really simple. You can do it in a lunch hour. But do something. I would recommend doing something within the next one to three months, because you don't want to risk that 401(k) getting cashed out. By the way, if you want to continue contributing to it, you need to put it into an IRA, or you wait until you have a job with 401(k) and you roll it over there, and you start contributing to that out of your paycheck. It's going to otherwise sit there collecting a little bit of dust, and possibly getting eaten away by fees.

I had a person write in recently talking about that and how her 401(k). She hadn't done anything with it for a while, and then noticed that the balance was dropping, not just because the market was being volatile, but because there were maintenance fees to keep the lights on, basically. That's annoying. So, maybe you can move it over somewhere where there are fewer fees.

Lastly, I would just say keep the door open with your employer, your previous employer. This is a little hard to do, because I mean, I'll be honest, there is some resentment, bad feelings towards your previous employer. “How could they have let me go? I was a star employee.” But this moment in our economy, I find that, especially folks who work in tech, and certain sectors that have been more disproportionately impacted by layoffs in recent months and the last year, are finding that it's quite hard to get another full-time benefits paying job. What is more abundant are gigs, contract work, freelance opportunities, even at your old employer. Your old employer may not be able to replace you, or replace that job in the next year, but they need support. They need staffing to address certain projects or quarterly things. So, keeping that line of communication open. If you're interested in that kind of work, then you should definitely let your employer know that you're on hand and available for hourly pay, part-time work, contract work.

Okay. Another question about layoffs from Vanessa, where she was recently laid off after coming back from maternity leave. She has saved most of her severance and also has saved some of her last few paychecks. She's also getting unemployment. Her health coverage for her kids and herself will be covered through California. Her husband is still working. She says, “This is not the worst, right? I get to have time with my six-month-old, be around for the summer. We're not financially strapped.” She says, “I'm interviewing and talking with recruiters, but nothing feels like the right fit for me or my family. I'm thankful for unemployment and the savings we amassed before this happened to me, but how should I think about my next act and using this time to seek jobs?”

Well, Vanessa, one of the things that I didn't talk about with Laura, but was part of the article that I'd written about layoffs in the past, one of the final steps, for those of us who have done all the things. We squared away our finances. We've secured health insurance. We've decided what we're going to do with our 401(k), and now we're ready to look for jobs again, is that you may not want to continue working in the sector that you were. That's what I'm sensing from you, is that you're just not – you're not inspired by the openings that you're seeing. Maybe part of what you want to do is go back to the drawing board and think about, “Well, what do I want to do? What is the impact that I want to make? What are the hours that I want to work? What is the money that I want to make?”

Figuring out that Venn diagram. Where all those things intersect is where, maybe, you look for jobs, and maybe you realize I have a skills gap or have an experience gap. Can you get some of that online virtually, until you're ready to go full force back into the job hunt? I feel like when you become a parent, there is this new way of thinking that we inherit, that I think is ultimately healthy. You want to find a new line of work and you want to pursue your career, even if it was the career that you had before having kids in a new way that recognizes that your responsibilities, your priorities have shifted, and that there are certain things now that are nonnegotiable.

When I had my first kid, I decided I don't want to travel as much. I don't want to be out of the home as much, frankly. I don't want to be going and commuting all the time every day. So, I thought about what kind of projects, what kind of pursuits would, A, make me money. B, continue to allow me to make an impact on my audience, with my community, as a financial advice giver. And C, that was low maintenance for me that I wouldn't have to put on a suit, or go out of the house every day, or have to put on makeup. or show up in front of an audience.

Up until that point, a lot of my career was television focused, travel intense. I do some of that still, but not as much. Instead, I got the podcast going. I started writing more. I raised my fees too, so I wouldn't have to do as much of the travel of the speaking. I could do less speaking but make as much as a speaker as I was in years past.

Give yourself the permission to be more discriminating when it comes to what you will and won't do in your next career. I've heard from employers. “We love mothers.” Remember this, employers do love mothers because when mothers show up – and dads too, when you become a parent, you become laser focused on efficiency, productivity, and optimizing your time at work and at home. That is a good employee to have. I think though employers that want to compete well, in our economy, they have to recognize the benefits that come with hiring parents and to support them. Again, with that, look for employers that are going to provide those benefits for you. They are out there. They may be a little bit harder to find, but they are out there.

I'm going to give you a resource, and anyone else who's interested in pivoting their career, or going back into the workforce after having a child, it's called Après, which is French for after. Jennifer Gefsky and Stacey Delo have both been on this podcast. They're the founders of Après. They've written a book as well called, *Your Turn: Careers, Kids, and Comebacks*. Après is a community that provides coaching and job boards for parents, and particularly moms who are looking to get back into the workforce, with more terms, with more personal terms, and wanting to connect with employers that recognize the talents that moms can bring to the workplace, and are willing to nurture and support them with the right kinds of benefits that can support all families. I'm looking at their website right now. They have resources, they have events, they've been featured everywhere. Check out Après, apresgroup.com. I'll put that link in our show notes.

Last but not the least, a question about money market funds versus money market accounts. Melissa writes in and says that she and her husband are trying to consolidate their bank accounts and get into a high interest savings account. Her husband is proposing that rather than a regular high interest savings account, they put their emergency funds into a money market fund. She says, “I'm doing some research on pros and cons. And while they aren't insured by the FDIC, they appear pretty low risk and they're heavily regulated. Would that be a good option for investing our extra cash? It would be cash that we don't need on a daily basis, though we may be withdrawing it within the next year or so to buy a house. Any thoughts on how to figure this out? And also, let me know if I'm overthinking it.”

No, Melissa, you're not overthinking it. Money market funds are investment accounts. Money market accounts are savings accounts. Savings accounts are typically FDIC insured. You can put up to 250 grand in it. If the bank collapses, the FDIC comes in, gives you your money back up to $250,000. A money market fund is not insured by FDIC. It's essentially a mutual fund. So, there is some regulation, of course, with all kinds of investments. There is the SIPC, Securities Investor Protection Corporation. This is the equivalent of FDIC insurance for investments. That said, it doesn't protect your money if, let's say, the stock market has a bad day and you lose value in your portfolio. This is if your brokerage, like your Fidelity, your Schwab goes under, SIPC sweeps in, and provides up to half a million dollars in coverage for your investments that includes 250,000 for cash.

It is rare that a money market fund would lose the money, but it did happen. I just want to mention, it did happen as recently as the 2008 financial crisis. At that time, investors could only get 97 cents for every dollar that they had invested in a money market fund. That was an extremely rare time. But it is important to point it out, that it is possible for you to lose at least some of the value of your cash in a money market fund, in a crisis like the financial crisis that we had in 2008.

As an alternative, high yield savings accounts. CDs, too. If you don't need this money for the next year, you could opt into a certificate of deposit which does have a term and you can start with as little as three months or six months. You can roll that into a longer-term CD later if you decide you don't need it as early as six months or a year. But those also offer pretty competitive yields, and they are FDIC insured.

My feeling is that if you have cash that you need in the next year to two years, go with an FDIC insured account. It offers more protection. In an environment like now where we are seeing high yields, the rates are very competitive with the funds. You're not really missing out financially by going with an account over a fund. If anything, you're just getting more security. I think that if you are invested in a portfolio for retirement, and there is an aspect of that portfolio, that is a money market fund, fine. Because you're not going to be touching that money for decades. It's not something that you're going to need immediately. But to hear what you're saying is like you want to have this money for a down payment on a home in the next year, you want to take zero risk. FDIC insurance all the way.

Thanks everybody. Melissa, Vanessa, and Laura, I appreciate all of your questions. I'm sorry to hear that layoffs are heating up, but I'm here for you. I've been laid off at least once in my career, so I have personal experience, but also, I've interviewed so many people about this. By now, I’m kind of a layoff expert. Happy Mother's Day to all our moms out there. I hope you do take that me time and I'll see you back here on Monday. I hope your weekend is so money.

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