EPISODE 1533

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FT: So Money episode 1533, Ask Farnoosh.

[INTRO]

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FT: Welcome back to So Money, everybody. It's Friday, June 30th, 2023. I'm your host, Farnoosh Torabi. Friday is Ask Farnoosh, our chance to answer listener questions about money. Today, we have questions about whether or not to invest in home repairs. A couple of audience members want to know more about this, especially because they do not want to hold on to these homes. They have plans to sell the homes in the next few years. So when does it make sense to invest in a home repair or upkeep when you're just trying to offload it in the near term?

Another audience member is experiencing some financial FOMO, specifically around high-yield savings accounts. She says, "My account's only earning two percent, and I'm looking out in the market and seeing these four and five percent offerings and feeling like I'm not doing my money justice." What do I think about that? Oh, I have some opinions. Also, what do I think about a retiree who has 95% of his investment portfolio in the stock market?

Before we help out our listeners, let's talk about something really exciting on the book front. My goal here is to just keep you all engaged and giving you the behind the scenes of the highs and lows of being an author. Do you remember there was a time earlier this spring when I was experiencing rejection around the book? Specifically, it had to do with my book endorsements. I was approaching a few people in the beginning and getting crickets or just nos, and that was tough.

But when I sat with that fear of more rejection, I realized that the only way out was to just keep marching forward. So I didn't stop. I just kept asking others. I don't know about you. But the more rejection I get, the less painful it becomes, right? The first few sting. Then after a while,

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you're like, “Whatever.” Like, “Been here, done that.” You know what is scarier than getting another no? I'll tell you. It's when you have to tell your publisher that you failed to secure any endorsements which do matter. They are key elements when it comes to marketing a book.

Not so much for readers they say but for booksellers and retailers who are considering buying books, and putting them in their stores, and stocking your book. They want to see who likes your book. If they recognize the names because they're authors who have themselves huge audiences or have sold many copies of books, that does earn you some points. I'm all about the points right now. So I kept at it.

Now, I'm happy to say we have seven incredible endorsements from Kelly Ripa; Margaret Cho; Tiffany Aliche, our friend Tiffany, The Budgetnista; Tori Dunlap, who's the author of *Financial Feminist;* Tara Schuster, author of *Glow in the F*cking Dark* and the very famous *Buy Yourself the F*cking Lilies;* Eve Rodsky, who's the author of *Fair Play*, New York Times best-selling author of *Fair Play*; Maz Jobrani, who is an Iranian American comedian and actor. He says this, and this was one of my favorite endorsements. He says, “Finally, a book that celebrates the self-doubt uncertainty and hyphenated reality of being raised as an immigrant.”

Who knew that going out of your way to please people could become a superpower? It was important to me to reach out to a wide cast of folks who were not just financial experts but also leading storytellers, immigrants, comedians, activists because this book, while it is about money, it's also about so much more. It is prescriptive, but it's also part memoir, and it touches on all of life's essential elements; money, but also family, friendship, work, and our emotional well-being.

So if you want, as a reminder, to get an advanced look at the book, if you want to get the introduction, if you want to get access to my program, Scared Smart, which condenses all of the elements from chapter six in the book which is all about money into three videos in a workbook, so you can get a head start on the financial lessons in the book, just go to ahealthystatofanic.com right now and pre-order your hardcover. All of that will get sent to you immediately.

Shifting gears to the podcast, back to the podcast, not the book, let's talk about who graced the show this week. We had on Wednesday Mariam Naficy, who is a veteran entrepreneur. She has

founded and scaled companies, including Eve.com, which was the world's first online cosmetics retailer. Minted, we all know Minted, the online marketplace of premium design goods created by independent artists and designers. Mariam is the daughter of Iranian and Chinese parents. Her childhood was also shaped by the fact that her family moved a lot. They lived in diverse countries.

Finally, they settled in the United States in California where she overcame a lot of adversity as a result of her family leaving Iran during the 1979 Revolution. She used that adversity to her advantage. She talks about that in the episode about how she reinvented herself, tapped into her superpower which was her academics, her intelligence. Today, she is the Founder and Managing Partner of Heretic Ventures, which is a San Francisco-based venture studio that launches companies at the intersection of culture and commerce and creators.

We had to talk about what she is seeing on the horizon and what she's excited about in terms of innovation, crypto, blockchain, NFTs, AI, but also, of course, her own storied background and the lessons from childhood, the lessons about money, the lessons about resilience. That was Wednesday with Mariam Naficy.

Then on Monday, we spoke with Rachel Luna, author of Permission to Offend. How to give yourself the permission to be offensive, to offend, what does that really mean? You can check out all those podcasts wherever you love to listen to podcasts, probably whatever you're using right now, also at somoneypodcast.com.

Let's pick our reviewer of the week, shall we? This person gets a free call with me for 15 minutes to talk about whatever you want, probably money, but also other things if that's your desire. We're going to say thank you this week to TheKristenV, who left review saying, “So Money has been my go-to podcast for all things finance and general life for a few years now. On many occasions, I feel like Farnoosh has specifically curated topics to my needs. I especially appreciated a recent episode with Laura Belgray, since I too am a female who didn't choose the traditional path.”

Well, listen, Kristen. I know that I offered free copies of Laura's book last week, and I think your review came in just at the wire. So in addition to a free 15-minute phone call, I want to also give

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you a book of *Tough Titties*. So get in touch, farnoosh@somoneypodcast.com. You can also direct message me on Instagram. Thanks for your review. Hope to hear from you soon.

All right, before we get to the mailbag, a couple housekeeping items. Just some updates. My coaching program for the summer is full, Farnoosh BTS, which is the name I'm giving it. Farnoosh Behind the Scenes is a four-month group coaching program that I'm designing for those in the audience and in our community who want to up-level their brand game, their personal brand game. They want to publish books, or they want to start a podcast, or they want to do more speaking or all of the above. I am your woman. I have a lot of experience in those departments, and I'm sharing it all starting in August for four months with our first cohort. That program is full, full, full. But I do have a wait list. Direct message me on Instagram if you want to be on that list.

All right, let's help out our audience, shall we? First, I think I want to help out Alyssa, who is curious about high-yield savings accounts, which we've talked about on this show. I know with rising interest rates, the one advantage is that banks and credit unions tend to raise their yields on savings accounts and CDs. Right now, if you're just looking around, if you're curious, you probably see advertisements for four to five percent on some high-yield savings accounts. These are typically online accounts.

I find that they're more widespread at smaller banks or digital banks. The ones that really want to get new customers. It's very hard to find this at like a big financial institution because they don't have to. They don't have to lure in new clients with these rates. Here's my thought on high-yield savings accounts. This person, Alyssa, says that she only has a two-percent yield right now with her bank, and so wondering, should she switch to a different bank. She knows the interest rates kind of fluctuate, and they're not guaranteed to stay where they're at. But she feels like she's missing out, FOMO, on this high interest rate.

I talk about FOMO in *A Healthy State of Panic* and how sometimes what we're fearing is not making the most of our dollars. There are many ways to do this, right? A high-yield savings account is just one way. Is it low-hanging fruit? Perhaps but you have to really consider the effort here. If where you're currently banking isn't giving you the most competitive yield on your

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savings account, but they are offering you other benefits like, for example, great customer service, there's a lot of ATMs, I don't think that you're leaving a ton of money on the table.

Because also, what are we talking about here? Savings, right? Three to six months' worth of savings potentially which is not a little bit of money. But are we talking leaving 10, 20 dollars' worth of annual interest on the table or hundreds or thousands of dollars' worth of interest? It's important to do the math sometimes. Now, I don't like to leave any money on the table. But sometimes, I do because it's going to come at a cost if I switch banks. It's going to come at a cost of my time. It's going to be maybe a headache. It's also going to mean that I get there, and a month later, the rate changes. I don't really love this bank.

So here's my checklist to know whether or not to open up a high-yield savings account somewhere and if it's worth moving your money from one place to another. One, you love the bank. The bank is robust. It's not just a place to park cash but maybe also has other sorts of benefits, including, but not limited to, a friendly and accessible customer service, other types of credit products or savings products or loan products, whereby being a customer you can get discounts and incentives on those products.

There's one bank that I work with where they said, "Hey, if you have a checking account or a savings account with us, we'll give you a discount on your mortgage rate." We were shopping for a mortgage at the time. So that's why I moved some of my savings to this other bank. It wasn't for the yield, but it was because I could save on interest on a mortgage which is a ton more money, and it's fixed, right? That's a fixed rate, as opposed to a fluctuating savings rate on a yield account, on a savings account.

Got to love the bank. Got to love its other offerings. You feel like you can have a relationship with this bank that is beyond just this high-yield savings account relationship. But look, maybe you do have a bit of money that you don't plan on touching. You don't care where it's at. You just want it to grow at the best possible rate for as long as possible. If that's you and you've got that kind of money, then fine. Find the best bank for that sole purpose and park your money there. But I will say there's a caveat, right, that that rate could change. Now, you're somewhere where you don't love. You kind of feel like they did a bait and switch on you.

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If I'm looking for a high yield right now, and I want to make sure I'm getting my money paid. I want that yield guaranteed, and I don't need this savings for a while. It's not emergency money where if I did lose my job tomorrow, I would need it. But this is maybe money that I'm saving for a future purchase like a home or a car next year or a vacation next year, and I can afford to leave it somewhere and not touch it. Then, yes, I would look for high yield. But I might look for something like a CD, 6-month, 12-month, where at the end of that period, I am guaranteed that rate.

Do I think yields are going to go even higher? Maybe. So locking yourself into a CD now, you might be kicking yourself in a few months. But for me, I like certainty. Even if rates go up and I'm locked in at something lower, I've planned for this. I've planned around earning this extra five percent, and I'm happy with it. So you have to know yourself too. High-yield savings accounts are fantastic. They can be great for a lot of savers. But in some cases, when you already love the relationship that you have with your bank, you have to weigh the pros and cons. To your point, this isn't a guaranteed rate. So take that into account.

All right, now moving on to real estate. Leora wants to know whether or not to invest in some home repairs. She bought a house at the end of 2022, so missed out on low interest rates, low mortgage rates as a result. Now, she has a house that needs work, but here's the rub. “I don't even like this house,” she writes. “Question, do I put some money into the house knowing I'm going to sell it when the rates drop? Or do I just wait it out. And when the rates drop, I buy something I actually like? What if I don't wait the five to seven years people say to wait to make my money back? I live in the New York City suburbs where the market is still very hot.”

Here's my thinking. If there are repairs that you need to do, not just want to do because it would be a nice aesthetic addition or aesthetic improvement, but it's a necessary thing like masonry work, structural, foundational work, plumbing work, electrical work, not the vanity stuff but the real important stuff that is the infrastructure of the home, I think that's important to address as soon as possible because that not only means that you'll have an easier time selling it one day. But while you're living in it, you're not going to continue to make those issues more problematic. You want to look after yourself too while you're living in the house.

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Then, of course, then there's another category of improvements which are more cosmetic or beautification, upgrades, things like that. I think you could wait. I think if this is not a forever home for you or if these upgrades are not that important to you in the short run, then you don't do them. I don't know about this rule of like waiting five to seven years. I've never actually heard that. So I'm not sure where that, how that came about. But like you said, you're living in the hot New York City suburbs.

I was just at an event last night talking to a real estate agent who represents clients in the Essex County area in New Jersey, and she said inventory is so low right now that even with rising interest rates, prices are not dropping. If anything, if the house is priced right, it's ready in moving condition, then it is going to sell in a weekend. So I think if you even want to sell sooner, depending on your market, you probably could and get out quick.

I know rates are not low where you'd want them to be for you then to become a buyer, but here's one thought. What if you sold, cashed out, got this house off your books and off your brain, and then rented for a little bit? I know rent's not super cheap either, but you can at least stay liquid for a little bit and be a renter until prices stabilize or interest rates come down, and you can go out and actually get the home that you want?

We've done this a couple of times, my husband and I. We sell, then we rent, and then we buy because we're going to need the equity to then make another purchase usually, especially if we’re staying in the New York, New Jersey area. Timing it all, right? Buying and selling at the same time is very, very painful and difficult to do financially. So a couple of times, we have sold. Then we've rented for a little bit and then became buyers again. So hopefully, that gets some wheels turning for you.

Now, a related question about real estate from Megan, who has been listening to the podcast since the Sophia days. Y'all, do you remember Sophia, my amazing, amazing assistant who has now moved on to bigger and better things? But, yes, Sophia used to join me on these Friday episodes, and she was the engine that drove this ship for a number of years. Shout out to Sophia.

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But here is our friend, Megan's, question. She says, "I have a particularly unique situation that I'm trying to figure out, and I would love your advice. I moved home with my mom and my disabled sister about a year ago. I have a great new job that happens to be 15 minutes away from my mother's house. I'm very much considering staying with my mom and sister because the commute is so close, and I can help with my sister. Location-wise, it's great, 5 Wooded Acres, affluent town. But the house is small and needs a lot of updating and work to allow us to live there comfortably going forward.

Also, my mom somehow still has a mortgage. I should be able to afford a significant remodeling on the house. I'm just trying to figure out if it's worthwhile to invest into the house. How do I deal with the existing mortgage? How do I make sure this isn't a money pit for me? And how would my mom and I separate money if we sell the house in five years so that we can both be in a good spot for our individual next homes? I'm feeling like I need to talk to a real estate person, a banker a financial advisor, and a contractor. I don't know where to start. Am I crazy? Thank you, Farnoosh."

No, you're not crazy. You sound like an amazing human, just such a helper and a loving, loving, loving daughter and sister. I want this to work out for you, so I'm going to give you some of my quick thoughts on this. So first, I think if you're going to prioritize like the to-dos here, first step is talk to a really good contractor who's going to be able to do an analysis of the home and let you know what are the top three things you should do to make the house structurally sound and safe, safer for all of you while you're living in it for the next three to five years. I think that is the priority.

Sort of like what I said in the previous question is like let's talk about the essential things, the really important things that have to get taken care of. Insofar as dealing with the existing mortgage, I think you deal with it at the time you're about to sell it. However much you sell it for, you, obviously, pay off the mortgage. Then maybe with your mom, you have to decide. Are we going to split the profits? Or do you get more of the profits because you invested in the home's upkeep?

This is actually something that you want to talk about now. So in addition to a contractor, step two, talking to someone who – let's see. Who would be best for this? It could be a financial

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advisor, but it could just be an attorney, someone who is really good at drafting contracts. I mean, really what you're asking here for is a working agreement with your mom and potentially your sister, as far as who is going to make investments, what the investments will be, and then how you're going to reconcile those investments if and when you sell the home.

That should all be ironed out and communicated and preferably in writing, signed, agreed upon so that there are no questions when you are selling the house. So get in a contractor, maybe a couple of contractors. Maybe bid this out. See what you think, how you feel. I wouldn't worry about the vanity stuff, just the structural things, because you are planning to live in this home, and you have a sister who's disabled. You didn't say what kind of disability is it. But are there certain things you can invest in the home to make it easier for her to get around, if that would be helpful?

One other thing, does your mom have cash where you and she could split the cost of this in real time together so that you're not reconciling later after the sale of the home? Or do you want to just cover it all yourself? These are personal questions that you should think about and see what you're comfortable doing. So those are just some first few thoughts. There's also the potential of getting a home equity line of credit against the equity of the home since it sounds like it's a small mortgage, probably a lot of equity in that home.

Figuring out, again, first with that contractor, what are the estimates for what you'll need for these important repairs? Then maybe taking that loan out against the value of the home, it may need to be in your mother's name. So I'm not sure how that would work. Maybe that ends up being a dead end but just one more idea there, just in case that interests you.

All right, and last but not least, we have a retiree the audience who reaches out probably because he suspects he might be taking on too much risk. But he has 95% of his retirement portfolio in stocks. You know what I'm going to say here, right? That's way too risky. I don't even have 95% stock, and I have at least another 15, 20 years until I'm drawing for my retirement accounts. I just think that's very risky. I think the only person who should really be investing 95% in stocks, someone in like their early 20s.

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There's a rule of thumb. You take 110, subtract your age, and that's the percentage. That figure that you're left with from that subtraction may get a percentage that should be the percentage of stocks, equity exposure in your portfolio. The rest, bonds and fixed income assets. So my friend here at the back of the napkin math here says this. Take 110, subtract your age. Let's say 60 here or 65, and what are you left with? 40, 45 percent in stocks. That's a good rule of thumb.

The reason why even as a retiree it's okay to be investing in stocks is because although you are beginning your distributions, you're not taking out all the money out of your 401(k), right? You are leaving some in there to continue being invested for the next 10, 15, 20 years. Retirement is, hopefully, a long chapter in your life. He says here too that he's investing with a platform that is an automated platform online. So what you could also do is call up your investment company or go on their website and recalibrate that portfolio by answering some of the questions that they usually ask you before they decide on the allocation of stocks versus bonds for your portfolio.

I'm kind of surprised that this is where you're at with your allocations. I guess maybe you didn't go through their questionnaire. If you did, I question their questionnaire. But I would get in touch with somebody over at this platform, my friend. Move some of that to bonds. Move about 40% of that, at least, over to something safer. Because when you are in retirement, you cannot, should not afford a lot of risk. Not the majority of your portfolio at least in stocks. That's not just me talking. That is the consensus and the financial advisory industry. It's a good reminder to all of us to check our allocations and just make sure that we are comfortable with the risk. So 110, subtract your age. That's the percentage in stocks. That is just a rule of thumb, but it's a good place to start.

That's our show, everybody. Thanks so much for tuning in. I hope you all have a wonderful July 4th weekend. I'll see you back here on Monday. I hope your weekend is So Money.

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