EPISODE 1590

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FT: So Money episode 1590, Ask Farnoosh.

[INTRODUCTION]

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ANNOUNCER: You're listening to So Money with award-winning money guru, Farnoosh Torabi. Each day, you get a 30-minute dose of financial inspiration from the world's top business minds, authors, influencers, and from Farnoosh herself. Looking for ways to save on gas or double your double coupons? Sorry, you're in the wrong place. Seeking profound ways to live a richer, happier life? Welcome to So Money.

[EPISODE]

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FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. It is November 10th, 2023. Tomorrow's my dad's, 70th birthday. Let's all wish, Adam. Adam, yes. Well, it wasn't always Adam, right? It was Ahmad. Farukh Ahmad. He has many names, but he changed it to Adam when he was a naturalized citizen, became a naturalized citizen. Adam Torabi. You can learn all about that in my book, *A Healthy State of Panic*, why I am the lone Iranian named person in my immediate family. My brother is Todd. My mother is Sheila.

It's an interesting story, and I think it really captures the come-up ends of the Tarabi's in America, throughout the 80s and the 90s and our relationship with this country. But my dad's 70th birthday tomorrow. Happy birthday, dad. By the way, I've interviewed my father on this podcast. I'm going to link to it in the show notes. He came on the show twice. Once with my mom, and then he came solo several years after that. When he had gotten laid off from his job, his longtime career. He had managed to not get laid off somehow, although there was so much upheaval in his tech industry as a physicist working in semiconductors.

He got laid off in his 60's, early 60s. Some might say, "Well, maybe that's the universe telling you, you need to slow down, take an early retirement. If you can afford it." Not my dad. How he pivoted was one for the books. I actually wrote about it in, *A Healthy State of Panic*, how he managed to use his fear of an ending, his career ending as fuel to find a new beginning in his career. I'll leave it at that. You can listen to the episode. Link in the show notes.

Something else I'm really excited to share with you is next week I'm hosting a live webinar on Thursday in the afternoon. I'm going to record it, so just register, make sure that way you're going to get the recording if you can't visit in the middle of the day, but it's going to be fun. It's going to be all of my insights, all of the hard lessons learned about launching a healthy state of panic. If you are somebody who is interested in marketing a book, or honestly anything on the internet, anything in the world that requires some media attention, some consumer buy-in.

I've got some details. I have some failures. I have some really surprising successes that I want to share in a one-hour webinar with you next Thursday. I've got so much. It's bursting in me and I figured, like what's the best way, structured way to do this? That can be helpful to you all who might be interested. I'll put that link in the show notes as well, and I hope to see you there.

Our mailbag today, we have questions about where to put your retirement dollars, a unique question about 529 plans. That's the college savings plan, and who inspires me? That was a great question. Before we get to that, I want to remind you of what aired this week on Monday. I replayed an incredible interview I had with Bill Perkins a while back. Bill is the author of *Die with Zero*. This book and this podcast interview has really stuck with me. I know a lot of listeners when it first aired wrote in, and they were like, "Oh, my God. Mind blown."

Bill, as I said, is the author of *Die with Zero*. It's all about how to reframe this idea of financial legacy. The traditional model is you die, you leave an inheritance, but what if you don't die with an inheritance? You use your living years to give away that inheritance. That the goal isn't to die with millions in the bank for the next generation, but to give your millions of dollars to the current generation, to your kids as they are in their growth years, like when they could actually use the money, because they can use the money to buy house, or start the business. They're not getting this money traditionally when they're like in their 70s or 80s when the parents have died.

I guess it'll help them with their health care and their medical bills, but as far as Bill's concerned, more exciting, more meaningful, more impactful to support those you love while you're alive, while you're capable. It's really fascinating. So, I wanted to re-air it. That was Monday's episode. Then on Wednesday, we talked about the Girlboss movement, which we know, if you've been watching, she's been reading headlines. It's gone. It's RIP. Girlboss. #Girlboss was an era that started, I think, more or less with Sheryl Sandberg's, Line in, but it was really solidified with the book, *Girlboss* written by Sophia Amoruso. It was just like movement to empower and uplift women, careerists and women entrepreneurs in a male driven world. There was a reckoning in 2020, as we may recall.

One of the women caught in the crosshairs of all of that was our guest on Wednesday, Frenchie Ferrenczi. She is today a business strategist helping women create sustainable business models, but back during the Girlboss era, she worked for The Wing. For those of you who don't know what The Wing was, again, RIP. It was a gathering hub, a workspace for women. The Wing became highly scrutinized during the whole reckoning of 2020. Frenchie was ousted from the company and she talks about it very candidly what she learned, what she's taking from that experience and how she's using it to inform her next chapter.

My ask for you this Friday, besides listening to the entirety of this show, is if you are liking, *A Healthy State of Panic*. I'd love to know what you think. Leaving a review for me on Amazon is an incredible way to support not only the book, but also other readers who are interested in figuring out whether or not they should buy the book. I'll just read you one of the reviews that came in this week. Sarah wrote a review and said that, "The book felt like a delightful financial-themed rom-com. She laughed, she cried, and she rooted for me the whole way." Wow.

Someone else called the book the #Girl Dinner of Books. I'll take it. I'm not sure about that trend, but anything that's trending right now, the people are into. If they want to attach my book to that, I am for it. Leaving a review on Amazon, seriously, great way to let me know that you're enjoying the book and helping the book rise through the ranks. The book abyss on Amazon to get to the top it gets more visibility and more attraction.

All right, let's hit the mailbag. The first question is just about who inspires me. I got this on Instagram this week when I posted for your questions. I asked for your questions this week on Instagram. By the way, if you're not following me on Instagram, great place to huddle, great place to find me in the DMs and chat about whatever you want. I recently went on there and put in a question box, so you could send me your questions for this episode and somebody wanted to know who inspires me. I'll say very generally and then I'll give a couple names, but generally, I'm really these days, I'm inspired by individuals who are mastering the art of pivoting in their careers, in their personal lives.

I know it takes so much effort and planning and preparing for risk when you make adjustments to what may be a way of doing things for a long, long time. Why it inspires me is because right now in my early 40s, I'm looking ahead and I'm thinking, okay, I've got this body of work that I'm very proud of and I've really enjoyed my career. What's next, right? What is next? Not to say, like I don't appreciate the now, but you have to be forward thinking as an entrepreneur. That's required.

I'm inspired by people who have dared to do things that go beyond what is expected of them and are enjoying it and maybe even pursuing the thing, because it's a lot of fun, which I was just talking about fun on The Financial Diet, YouTube channel, actually. I was on one of their financial confessions video with Chelsea Fagan. Check it out. I'll put the link in the show notes. We were talking about how the two of us, Chelsea and I. We've been very serious in our careers. Chelsea's an entrepreneur. She built The Financial Diet to a million plus community. I've been building my business and we're ready to come out, let loose and have fun and we feel like not that we were so virtuous, not having fun all these years, but I feel, and maybe more me than Chelsea, but I have felt like, I always felt a little guilty or like I was not behaving, if I was doing something that wasn't directly impacting my professional and financial success.

Simple things like reading a fiction novel or staying out an extra hour or two with my friends. Instead of coming home to like finish an article. I don't regret those choices, but all this to say that I'm learning from my past. I want to inform my future with some of the things in the areas that maybe were underserved in my past. I'm inspired, specifically these days by Tamsen Fadal, who if you don't know Tamsen, she is, and this is important, she's 52, she likes to talk about where she is in her life stage. She just announced that she is departing from her over 30 year career in broadcast news.

Tamsen is an Emmy Award winning broadcast journalist, anchor in New York City. She's been on the podcast. In recent years, she's been talking a lot about turning 50, her dealings with menopause and finding meaning in this stage in her life. She has garnered over a million followers across social media. She's gotten a book deal. She's working on a documentary. While it scared her to leave her career, what probably scared her more was not fully pursuing this new mission of helping women directly through her work as an advocate and still a journalist. I mean, she's still applying her journalism to her work. You can see it through her presentations online and her reporting. of course, her authoring is going to be very much rooted in her journalism.

I'm rooting for Tamsen and others like her that are showing that no matter your age, no matter what you've done, there's always a time, and space, and support, to jump in and leap into something new and different. It's scary, but like I write, maybe that's the point. If it's not scary, maybe it's not really worth it. There has to be a little bit of fear, right? The fear is good. The fear fuels, the adrenaline. It fuels introspection and analysis. That's who inspires me. Thank you for the question. Who inspires you? I'd love to know. Send me an email, farnoosh@somoneypodcasts, or DM me on Instagram @farnooshtorabi.

Our next question is from Lee, who has a question about post versus pre-tax retirement contributions. Getting very technical now. Let's turn on the other side of the brain. Her question is this. She says, “Farnoosh, I've been contributing to a post-tax IRA, because it has a 1% match.” Post-tax, meaning she makes money, and then she pays her taxes, and then she contributes to this IRA, which ostensibly is a Roth IRA. She doesn't say it's a Roth IRA, but let's call it that, because it's essentially what a Roth IRA is. Plus, it's a 1% match.

She says, “However, I was recently promoted, and I'm getting closer to my peak earning potential. Should I think about moving that contribution to my Pre-tax 403(b)?” Pre-tax, you all. So, that’s, she gets paid, she contributes to the 403(b), and then she pays taxes. That reduces her taxable income, and then she's taxed on the remaining. Should she move that contribution to the 403(b), as she's earning more money. She says, “I have a healthy NASDAQ in my pre-tax account, but I've only recently started the post-tax IRA, and I know there are many advantages to having a post-tax fund at my disposal in retirement."

Okay, so Lee, I think that I would want to take advantage of that 1% match to the fullest extent. That post-tax IRA, which let's call it the Roth IRA, is also great, as you say, because you can withdraw that money in retirement tax-free. We don't know what our tax situation is necessarily going to be in retirement. It's nice to have that option to withdraw from a fund without the tax burden. As you say, you're earning more, so you're going to eventually become disqualified, probably, to contribute to this post-tax IRA. We know that Roth IRAs, for example, have an income limit, and beyond making a certain amount of money, I believe it's $153,000 for single-tax filers in 2023.

In 2024, the threshold goes up to $161,000 for single-tax filers. Married, it's more than that, but bottom line, as you make more, you will no longer have access to this sort of a tax break with a Roth IRA. Take advantage of it while you can. Then if you want to do more, if you can do more beyond that post-tax IRA, then contribute to the 403(b), which works similar to a 401k in the sense that you pay into the account before taxes. As I said, it produces your taxable income today. You pay taxes on withdrawals in retirement.

A little bit more about Lee, she wanted to give us context. So, this actually informed my response to, but she says, additionally, her husband, who is 10 years her senior, has a very healthy retirement account. He's going to get a government pension. So, the two of them are in pretty good position for retirement. Now, she's wondering about the tax details, which one is better. I mean, I always think that the ability to invest in a post-tax IRA is a good ability. On top of that, you're getting that 1% match. That's a win-win.

Is it enough every year to just contribute to that, given that the limit, the contribution limit, may be smaller than the 403(b)? The contribution limit typically on a Roth IRA is around $6,500. It's going up, I think, in 2024. It's going up to 7,000 in 2024. If you know, because you've done some calculations, that that is not going to cut it for you, and you need to invest more, then that's when I would contribute more using the 403(b). All right, Lee, thanks so much for listening to the show and for your question.

Next up is Bethany. She says, “Hey, Farnoosh. I love this show. I found it this past summer, and I've been trying to digest as many episodes as I can since then.” Wow. May the force be with you. Bethany says, “My husband's work informed him that to move up within the company, he needs to take some accounting classes. Unfortunately, I work for university and his tuition will be half off. We plan to use his parents 529 plan, which my husband is the beneficiary of, to fund the tuition and the fees and the books. Recently, though, we learned that my husband's work will reimburse his tuition. Are there any tax implications if we do not put those reimbursements back into my in-laws 529? Could we use it to fund a 529 for our son, pay off some of my student loan debt, or even set it aside for a house down payment? Any insights would be appreciated.”

All right, Bethany, I'm not so clear on the tax implications of using a 529, but then getting reimbursed another direction. Then will that put you in some violation? That's a very unique situation. I think you want to call your 529 provider, but here's my thought. If your husband's job is going to reimburse him, why are you touching this 529 plan? Can your in-laws change the beneficiary of that 529 from their son to their grandson, your son and let your son use the money when he's ready? Qualified family members include the beneficiaries, spouse, son, daughter, stepchild, foster child, adopted child, or a descendant. Your son qualifies.

If there are some things that won't be covered by your husband's job, that they will not reimburse, then you could use the 529 for those expenses safely. Without any worry of a tax event happening, you can use the 529 as more of a supplement in that case. Then whatever balance remains, you can change the beneficiary of that balance to somebody else in the family, maybe your son. That's what I'm thinking. Unfortunately, I don't have a specific understanding of 529 laws to the extent that you're describing of like the 529 money that we're going to use will get reimbursed. I mean, I want to say there shouldn't be an issue, but I also think why break open the 529 if your husband's company is going to reimburse him.

Then finally, a question about prenups. Lanby wants to know. How does one go about getting a prenup? This is pretty straightforward. You got to look at your state's laws. Most states require that both individuals go into the prenup with their own attorneys. I recommend this too. I think you each want your own attorney, which may sound weird. You're both getting representation, you're not even married yet, what's going on? But as we've heard on this show, and I'm actually going to do an episode on prenups later in December. It's important to have representation. A marriage is a contract. So, you want to be able to protect yourself in the event that that contract goes to hell, essentially.

The first step is to find a lawyer, preferably a marriage attorney who has experience doing prenups. Again, you each want to have a lawyer, so that you're both equally represented. You're both fairly represented. You want to get a lawyer from the state where you're going to be living, not where you're getting married. They will draft it up for you. It's going to take weeks, potentially. The recommendation is that you have this figured out signed about a month before your I do's.

Now, there are a number of websites as well that can help you where it could be a more economical, it could be quicker. If you're just looking for a simple prenup. I've seen ads for this company called HelloPrenup. I think they were featured on Shark Tank. Rocket Lawyer as well is a resource. They have a lot of different contracts on their website, including prenup templates. You can go that direction, or you can go a little more buttoned up and work with a lawyer one-on-one and get it done.

I am seeing more and more couples do this. It used to be in my generation of marriage, like 10 years ago. Before that, that prenups were thought to be just the thing that you did when you were super rich, when you're a Jennifer Aniston and Brad Pitt and two billionaires getting married. I'm happy to see that culture, that thinking has changed to now you're seeing many more younger couples, couples without a ton of assets getting married, because they know that as they're married, they're going to build a life together. Together and separately. They want to be protected in the event that their marriage does not work out.

It is, as I remember Erin Lowry told me once on the show. She's the author of *Broke Millennial*. *The Broke Millennial* series, financial expert. She wrote about this in her, in one of her recent books that getting a prenup is an act of love. It is an act of love, because it's saying, look, we don't want to get divorced, but in the event that things don't go the way that we plan and hope, we want to make it really easy for the two of us. We don't want to be fighting. We don't want to have to stretch out the pain and the grieving for longer than we do. The prenup will protect us, because essentially, what a prenup is doing, it is filling in any gaps or rewriting some of the laws that your state mandates in the event of a divorce. Without a prenup, you are vulnerable to your state's proceedings, your state's laws around divorce. If you don't agree with your state's laws, the state that you're living in, then you want to have a prenup.

That's our show, everybody. I'm headed now downstairs. I'm actually recording this in Arlington, Virginia. I'm heading downstairs to the CFP Board, Diversity Summit. I'm going to be moderating a panel on diversity, equity, and inclusion in the Certified Financial Planner Community. I'm really excited to learn from our audience of CFPs. How they're planning and how they're implementing diversity, equity, and inclusion in their work and in their practices.

All right, everybody, thanks for tuning in. I hope your weekend is so money.

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