

EPISODE 1607

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FT: So Money episode 1607, 2023 year in review, the power of financial fear.

[INTRO]

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FT: Welcome back to So Money, everybody. Wednesday, December 20th. We are continuing to reflect on some of the financial themes explored on So Money in 2023. It's a special tradition to look back on shows that really moved us and especially me. Made us think about our choices, our goals, the lens through which we see the world. Obviously, a topic we touched on more than a couple times this year was fear and how it manifests in our financial lives and in our careers. There's no shortage of fear in the world, especially when it comes to all the uncertainty and the volatility in the markets and the economy. I was interested in understanding how fear. This, I call, abundant resource can be a tool for making healthy choices, when it seems like maybe we don't have any choices, any options. Or things, they just might backfire.

We kicked off the year in 2023 with a conversation with Alexandra Carter. She's a negotiation expert and author of the amazing book, *Ask for More*. I had her on the show mainly to talk about how to earn more and how to approach your career and your professional life when you are, like so many of us were in 2023, in a transition phase. We were switching jobs. We may have recently lost our jobs. We were heading back to work after a hiatus, which all can be scary. In this excerpt, we talk about how to use fear to your advantage in these moments. This is from episode 1538.

You wrote recently on your Instagram, which I love. Everybody, follow Alex on Instagram. That being afraid means you have something to lose but something even bigger to gain. I think that post was sort of about how to like do it scared. Ask for the raise scared. Do the negotiations scared. But I also think that, for me, at least, I appreciated that so much because it means like you need to see where the fear is pointing you. That it's saying, "Hey, Alex, Farnoosh. You're

afraid for good reason because if you don't do this thing, you have something great that you may not get.”

Like I always say, if you're afraid to ask for the money, that's fair. But imagine 10 years from now, 30 years from now. You didn't ask for – this was your moment. You let it pass. You didn't ask for more, and then you arrive in retirement with significantly less money to take care of yourself and to support your lifestyle or whatever the fill-in-the-blank goal is. That sometimes, we have to imagine the worst fear to propel us to do the right thing. But when it comes to your relationship with fear and negotiating, what's the healthy balance?

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AC: Fear points us to what's important, and it's going to be different things will be important for each one of us. Fear points us to joy. I know that for me, the times in my life when I felt most afraid to take a leap, it's because I knew what I was going to experience on the other side if I got through it. The most terrifying experience of my life in some ways was pacing around a hotel room in Spain, while my little daughter was waiting for me to go to the playground. I was giving lectures, and she didn't understand why we weren't going out. I said, “Mommy's really scared. I'm about to send this email to see if anybody wants to buy my book, and it's a possibility that they won't want to buy it.” My daughter said, “Cool story, bro. Can we go to the playground?”

So I hit send, and what happened on the other end of that was the greatest joy and sense of contribution I have ever experienced in my life. I was able to help millions of people because I sent that email. So the first thing I always tell people is think about the folks you're going to be able to impact on the other side, right? Every single time, a woman has written me. One wrote me just this morning from Singapore to say, “I did it. I conquered my fear. I got 50% more compensation, and I can't even tell you. The money is super meaningful for my family. Don't get me wrong. But what's even better is that I now walked into my job today, knowing that I did that for myself.”

Number one, if you're not somewhat scared, you're not somewhat uncomfortable, you haven't asked for enough. Okay. If everybody feels good in round one, you have not asked for enough. So back at the beginning of this conversation, when you talked about a multi-month negotiation,

right? That's uncomfortable. It is uncomfortable to prolong something and not feel like you have to take the first offer that's on the table. I've had women say this before. They feel pressure to accept. I say ask them what the timeline is about. They say, "Oh, somebody's going on vacation." Their vacation is not your emergency. So it's okay to feel uncomfortable and afraid.

You asked kind of where is the line, right? I wonder if implicit in your question was how do we know if fear is telling us something more. Like maybe we're on the other end or going too far. I wonder if you could tell me more about that.

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FT: Yes. I guess I'm always trying to find the wisdom in the fear, which I think you clearly outlined. We don't always look for the wisdom because we've been told culturally that fear is bad. There is no wisdom. We don't even give it patience. We don't have a patience with fear. We don't sit with it and go, "Okay, this showed up for a reason." Sometimes, the fear is telling you like go the other direction. Don't negotiate because this isn't the right fit for you, right? But you have to go through the motions. I think you owe it to yourself to see where the fear is pointing you towards.

The exercise, sort of the self-inquiry that fear sometimes wants us to do is like what am I feeling, why am I scared, what is it that I want, ultimately, because that's what fear is there for, right? It's there to protect you. It's there to guide you in some sort of safer way. We all want safety. So that's – I think you answered it because without that self-inquiry, we can make a rash decision. We try to shove fear down, pretend it doesn't exist, and then make an impulse move to sort of overcompensate for the fear. I guess that's what I'm trying to say is like the line is between recognizing and leaning into fear, but not overcompensating for how you feel either.

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AC: Yes. Okay. I love that you talked about the self-inquiry because fully the first half – so I write a negotiation book. The first half of it is called the mirror. This is about the self-inquiry because I have seen over and over again that when you are truly grounded in – I would give you two questions if you're feeling fear.

Number one, you need to write down what do I need. So it's more than just what you want. It's your deep needs, and you can make a bucket for tangibles, right? What do you need in terms of money, title, resources, whatever it might be, the things you can touch, see, or count? But also, make a list of the intangibles. I need freedom. I need advancement. I need challenge, whatever it might be. Ask yourself what do these look like? Because when you've made that list of your deepest needs, then when you're feeling the fear, you can look and say, "I'm going for this. If I don't get it, then I'm going to have the clarity that this is not the job for me." You have the yardstick.

But more than that, Farnoosh, you talked about actually writing down your feelings. This might be the single biggest piece of advice I give people before any negotiation, even if you don't have apparent fear. Because when you write down those feelings, sometimes you're going to write down, "I'm afraid everybody's going to look at me and think I'm a fraud." There's something about seeing those words on the paper, where you then look and you think how likely is that? How likely is it truly that after four interviews, I'm going to get in the room, and everyone is going to laugh and say, "Ha, ha, ha. Alex, how could you ever think you could have this job?" Not likely.

So what it does is it releases some of that over you so that you can go in saying, "Maybe I'm not afraid. Maybe I'm uncomfortable." That is an okay place to be. In fact, that may be exactly where I need to be because discomfort means growth. So you are going in to reach for that next rung, that next bracket of compensation, that next title. You want to show up as that person already, and you bet that's going to be uncomfortable. But that's how you're going to get to the end goal.

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FT: Yes. Basically, are you afraid of something that is real or that you have been led to be afraid of but it's really not real? Impostor syndrome, we know, is – we've done the studies. It's not real real. It's something that has sort of been manufactured in the workplace and some would argue to deliberately make women feel inadequate in the workplace. It serves the patriarchy really well, when most women feel this way. So they don't try to escalate through the ranks, fearing

that people are going to laugh at me and laugh me out of the room. You can't be afraid of something that's not real.

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AC: Yes. Fear is tied to risk. A lot of times, we as human beings are not all that great at assessing risk. So sometimes, there's real risk. If you're at Everest base camp, and you're getting ready to climb, that is a serious risk. Okay. So, yes, by all means, pay attention to the fear in your gut. Okay. But if your "risk" is what if they don't like me, what if I don't succeed, or my risk in sending out that book proposal. I finally realized, what am I risking, my ego? If that's the case, I'm going to tell you to go for it every single time. That is not a real risk. That's an apparent risk. It's something you might see. It's a mirage. But truthfully, the real risk might be in staying where you are.

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FT: Yes. You have given words. Still, I'm writing this book, believe it or not. As you know, you write a book until the very last minute. But you just gave me some language for something that I've been trying to articulate in the book. But you actually – because when it comes to our financial fears, I have found that a lot of times, we're afraid of what you just call like these apparent risks or these mirages. But what I want to steer people towards is the real risks, right? The things that you should be more afraid of.

Because when we experience that level of fear of the real juggernaut stuff that has true risk and consequences, that's when you actually are propelled to do the right thing. When you're just sort of in this place of like, "Oh, no. What if people don't like me?" You can't do anything with that. That's just a fear that's going to keep you spiral. There's no solution. You can't force people to like you.

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AC: Is that even a worthy goal?

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FT: To hear the rest of my conversation with Alexandra Carter, just follow the link in our show notes.

Also this year, I dedicated an entire Ask Farnoosh episode to answering your financial questions that were seemingly rooted in fear. To help us navigate, I invited one of my favorite financial experts on the show, Georgia Lee Hussey, Founder of Modernist Financial. Here's a clip from that Ask Farnoosh episode, where we discuss one audience member's financial fears of money, specifically her fear of making bad money choices, financial failure. This is from episode 1563.

I wanted to dedicate the second half of this episode to financial fear. We actually have two questions from our listeners, audience members, who are grappling with money questions. As I say, whenever we're talking about money, we are talking about scary things, high-stakes decisions. It's not just like should I get the strawberry ice cream or the chocolate ice cream. No. Those are low stakes, although we somehow seem paralyzed a lot of times around that too.

But it's really tough when you're trying to figure out how to save, where to invest, which financial goals to prioritize because it will mean trade-offs, and then will that mean disappointment? Anyway, we'll get to those questions in a second. But first, I just wanted to open up and talk to you a little bit, Georgia, about fear of money. I come from the place of like there's always a bit of wisdom and guidance when the fear of money shows up. It's not always easy to see it that way. What is the mistake that you see too many people make when they're afraid of money and whether that is – and just to distill that, like it could be the fear of enoughness, the fear of scarcity, the fear of debt, the fear of investing. There are so many different flavors of fear of money.

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GLH: Yes. I think you're really speaking to an essential part of the work we need to do as financial beings in the world is to build awareness. So every financial decision is either grounded in awareness or not or maybe on a spectrum of awareness. I see that fear shows up in a lot of people's decisions.

To me, fear is a core emotion and, usually, there's valence emotions that are like flags that come up from fear. So sometimes, there can be anger. Sometimes, there can be like clutching, like a very sort of anxious attachment to a particular idea that we sort of get caught on a loop that there's a particular solution we have to have, or it won't be enough or, you know, whether it's a house or a school for a child or whatever it might be. So with clients, I'm usually trying to get them back to that core question and away from the valence solution they think they need to move towards.

My favorite example is a client early in my career was like very attached to the idea of a vacation house. Through the conversation, they're very busy founders of a fast-growing company. I realized that they didn't want a vacation house. They just wanted a vacation. It was a much cheaper, much easier solution, but it required them acknowledging that they were tired and that they were scared of their own capacity to rejuvenate. They were scared of the ways in which they were being pulled away from their families, especially one of the – it was a heterosexual couple, and the founder who identifies as female was really scared about the ways in which her success was – felt like she was deprioritizing her role as a mother and a partner. It could be, yes, you need a vacation house. But I'm like, “Do you really need more responsibility and bills and things to think about?” So I think that's one of my favorite examples.

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FT: I love that. I think what I'm hearing, too, and I talk about this in the book, is that when the fear of not achieving a financial goal arrives in your life because it is a lot to carry financially, mathematically. It's going to mean not just maybe more money. But in this case with the second home, like more executive functioning, responsibilities, tasks that it's important to explore why you're afraid of not being able to achieve this. If you don't have this vacation home, where does that leave you?

On the other side of that, you're saying, “Okay. Well, I feel as though I won't be able to have a place to escape to. I feel like I won't ever be able to slow down after a busy day at work or a busy month at work, and I won't feel like I'm including more peace in my life.” Because the idea of a vacation home, it just seems so idyllic, right? Like it's by the lake or it's by a beach or it's

where your family gets together all the time. I know for some people that have vacation homes, they love it because when their kids get older, it's where they come back to. It's a gathering place, and so they want for that. Those are not small things. I think that those are the things worth protecting and worth being afraid of. Not doing those things, if it means happiness, gratitude, pleasure to you now and in the future, let's find a way to protect that. But maybe it's the pathway that needs re-engineering.

To your point, like it's not the house. It's we need to go on vacations more, or we need to take time off more, or we need to set more boundaries in our work life, say no more, which doesn't mean you're not working hard enough or smart enough. It just means you're actually probably doing it right. So I love that. I think when you stop and acknowledge the fear, which we seldom do, we just want to be like, "The fear doesn't exist. I'm going to override the fear. I'm going to do the thing anyway without being thoughtful about it." That's when we run into the dead ends, and that's why fear gets a bad rep because we think, "Oh, fear led me there." But there's another way to use fear, and I love that example.

Well, let's get to our questions from our friends in the audience. Monica has a question that on the surface may not seem like it has an underpinning of fear. But I always find the fear, and she basically is telling us she has too many goals that she wants to save for, and her fear of money is closely attached to the fear of failure, I think. I think you also have a different perspective, another perspective. She's telling us, "If I save too much in one area, then that's going to mean a tradeoff that I'm not really willing to accept."

But here's specifically what she says. She says, "My husband and I want to find land and build a home in the next few years. We decided we're going to deal with living in our small house to keep our girls in their school district they've always been in, and my younger daughter will graduate high school in four years from now. So that's our timeline. It gives us time to sort of explore this investment, this real estate investment. My thought is I want to save as much money as I can in cash to pay for the lot or at least have a big down payment for when we find a lot. We will have over \$200,000 worth of equity in our current home that we can put towards the mortgage to build the home. So that way, we keep our mortgage reasonable.

Here's the thing. We're in our 40s, 40 and 42. We have a small Roth IRA and 401(k), about 35,000 in each one, between the two of us. So my question is do I save a lot of cash? Do I invest more? Do I do both?" She says, "We also have some big ticket items like finishing saving up for our emergency fund. My daughter needs a car in two years. There's spring break every year. I feel like I have 50 savings buckets, but I don't want to lose hope and determination on building a home one day."

So she's trying to figure out the best plan forward that will accommodate, essentially, for all these goals. I hear a fear of failure in the sense that if she completely puts all of her financial eggs in the real estate basket, then that's going to come at the cost of retirement, retiring well and supporting her family's other goals. What do you hear from her question?

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GLH: Yes. I hear a deep question about whether there is enough available to her. Often, I find that for myself, at the root of that fear is a fear that I'm not enough, that I don't have the capacity to figure this out. I think there's two – what's funny about this kind of fear is that there's some truth to it. There's just not enough. We can't all have whatever we want. I think that kind of weighing of tradeoffs and making decisions about where want to put our resources can be fear-based but I think can shift into values-based and starting to make decisions based on what we think is most valuable for us.

I think she's also in a very common crunch phase, just in terms of her life, where she's got – there's not quite enough room left in the house. The cash is tight. The kids are still in high school. Retirement is becoming real in a way that it probably wasn't 5 to 10 years ago. So I think even just acknowledging that this is a moment where cash feels tight can be important to make decisions about how to use her cash and how to use their cash. I have some very specific recommendations here, but that's my core feeling about what I'm hearing.

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FT: I want to get to your recommendations. I want to throw out another hypothesis, and this may not be true in her situation. But I tend to see in our financial lives when there is a fear, it leads to

avoidance of like, okay, investing is scary. Looking at your bank account and going, “Oh, my God. I only have so much in savings, which is not really where I want to be,” that's scary. So rather than address that, we complicate things even further by being like, “Well, I really can't do those things because I've got to buy a house, too.”

So we do this to ourselves. It's like we set ourselves up for failure. It's like rather than addressing the thing at hand, we just throw more problems into the bucket. So we end up inevitably at a place of feeling helpless and directionless. I don't know what the psychology behind that is. It's partly avoidance I think. Like you don't want to deal with the scary thing, so you make the thing just so out of reach and hard that you just feel like, “Oh, there's nothing I can do,” and maybe that's like the easier way out. I don't know.

What do you think she should do? What is the road map? Also recognizing that – you mentioned that these fears are valid in some ways. So is there a way to create a blueprint that creates a balancing act for her here?

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GLH: Yes. It's – I agree with you. There's a lot of competing goals that she has, and she's clear enough to be able to speak into that and say, “This is where I feel stuck.” I think that's a great win because many people can't even see that. I think this is going to take a lot of creativity to figure out. I think my first concern is that we often underfund our future selves because our current expenses feel more real than our retirement. I think, especially once we hit our 40s, overlooking compound growth is a mistake, honestly. It doesn't see – I like to call the first 10 years of retirement saving the boring years. Nothing's really happening. You're just adding money. It looks like it's going nowhere.

But I remember the first client I had who was in their early 60s, and I looked at their 403(b). Their contributions were \$250,000, and the account was worth a million dollars. I was like, “Oh, right. Compound growth is magical.” So I would say finding some way to balance her future, future self, her 80-year-old self, her 50-year-old self, and her present self is really what I would focus on. I think she can get really creative with this idea of the land purchase.

Given how much of her assets are in her house, I would not buy another piece of property before she sells her current piece of property. In four years, her youngest daughter will be off at school. Her house will really just not feel as small as it feels right now because launching. Let those kids go off into the world and pay their own rent. So I think there's some opportunity there to maybe they can sell that house and buy some land and get something they can live in for a year or so, where they build a piece of – build a house. Very few people can buy land and build a house without very significant assets. I think the other thing I hear in this is like a sense that we should be able to do this. When in reality it's a very – I mean, I couldn't do this.

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FT: You hit on something so important because I feel like I have this conversation a lot with people who feel so personally deflated when they are – now, they can't buy a house, right? It's like they just – the math isn't mathing. Maybe it did two years ago when interest rates were lower. But even then, you were in a much more competitive environment, so you were overbidding. But, yes, I mean, all things kept the same. Interest rates have tripled or more than doubled. So your monthly payment for the same house two years ago is double or 50% more. So renting is fine. I keep telling you.

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GLH: It's fine. I love renting.

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FT: It's fine, y'all.

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GLH: Yes. It's fine.

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FT: Get it out of your – get your mom's voice and your father's voice out of your head.

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GLH: Yes, and your grandparent's voice.

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FT: And your grandparent's voice.

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GLH: America's dream of that is also deeply problematic. Real estate is great, and it has made a lot of wealth for the middle class and for the very wealthy. But it ties you down. It really secures where all of your extra spending is going. It can be fantastic. Like I personally made a decision to buy a very nice condo in downtown Portland, but I cannot own a car, too. I know that by taking the bus and taking public transit and walking everywhere, I'm saving 700 to 800 dollars a month, and that is very specifically funneling into my retirement. So I think it's just we can't have it all, but we can be creative about how we fulfill the value we have.

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FT: Right. Back to our friend here, I think that you can get creative with the home and land purchase to some extent in terms of how the timeline and the financing and all of that. But you can't really get creative with investing. You just got to do it and start.

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GLH: You just got to do it. Put it in there and let it grow and ignore it. Just keep funneling.

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FT: That's our show for today. For more on financial fear and how you can leverage it, you can, obviously, purchase my book or listen to the audiobook for *A Healthy State of Panic*. The entire central chapter is dedicated to financial fear, how to take constructive action steps when you're feeling this emotion. I'll see you back here on Friday for Ask Farnoosh. I hope your day is So Money.

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