EPISODE 1644

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FT: So Money episode 1644, Ask Farnoosh.

[INTRO]

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FT: Welcome to So Money, everybody. I'm your host, Farnoosh Torabi. Thanks for joining me here. It's our Friday episode, where I tackle your money questions. We got questions today about taking money out of a brokerage account and then placing it into a Roth IRA. Can you do this? What are the rules? Any risks to having a single bank that stores all of your financial accounts? How to find a good accountant is a question in the audience. Then finally, we have Nicole in the audience who wants to become a money coach and wants to know. Is it necessary to get any certifications?

I want to start today, though, with recognizing that many of us right now, it's a weird time, everybody, in the job market, in our financial lives. I was reading an article on Bankrate, I'll put it in the show notes, about what economists are calling the silent recession. Now, according to data, we are not in a recession. Technically, you need two consecutive quarters of negative GDP to be officially in a recession. But raise your hand if you've recently lost your job in the last six months. Or you know someone who has lost their job, even in the last six weeks.

February 2024, there was over 400% increase in layoffs. We haven't seen that pace since 2009, February 2009, which if you remember, that was when we were in the deep thick of the recession. I lost my job in April of 2009. So I just want to acknowledge this because I don't think that if you're on social media, you're necessarily hearing people tell the truth about what's happening in their professional lives. We know people are looking for work. We've done a lot of episodes on So Money about asking for money and the job search and the impact of artificial intelligence on the job search. I have an interview coming up soon about how to navigate the interview, especially if you're interviewing on Zoom and virtually, like how to actually connect with the hiring manager and position yourself as a strong candidate.

Most Americans feel like right now we're in a recession. When I asked you how you feel about the silent recession, this was the topic of my newsletter yesterday. PS, if you're not subscribed to my newsletter where I write about my money musings, there are exciting announcements, you're usually the first to learn about cool things, please join us. It's very simple. Go to farnoosh.tv/newsletter. I've got a gift for you there. I'll put that link in our show notes. In that newsletter, I wrote about the silent recession or the quiet recession, and I asked for feedback. I said what are you feeling? What is the word? I'm going to read off some of the replies.

One person in the audience said that, “Our online business is holding steady for the moment. But fortunately, 20 months ago, we branched out from one program into another.” This is someone in the audience who works with women. She creates programming for women who are interested in strengthening their pelvic floors. She realized this is like becoming maybe a little bit less of a need and moved into women's supplements, very interesting. I might have her on the podcast to talk about why she did that pivot.

Another friend in the audience says, “I'm fortunate, Farnoosh. I don't have to go without as prices and per-unit prices go up. But I know most people are feeling the pain. I do the food shopping in our household, and I'm amazed how the typical bill at checkout has noticeably risen.” He says, “Remember when Tropicana reduced its half-gallon OJ to 59 ounces, left the price the same, and labeled their cartons as new and improved packaging?” I don't quite remember that, but I believe it.

Then another friend in the audience says that, “I really wish the media focused on the data rather than constantly seeking contrarian feelings.” She's not a fan of this silent recession phrase. She says, “In our capitalist society, we are trained to consider whatever we have is never enough. People are trained to feel dissatisfied, even when things get better. I feel like the anti-narrative out there encourages this.” Interesting. She said that, “The layoffs are being covered extensively but probably disproportionately. Since layoffs do seem to be concentrated in the knowledge space and in the tech space, it's worth pointing out that that represents probably 20% of the US employment by sector. So focusing on tech layoffs makes people feel very uncertain and unstable when there are entire other major employment sectors that desperately need workers and can't find them. For example, healthcare."

Then she says that, "It's underplayed that the number of Americans who own stocks has been rising, so the rise of the stock market actually helps the majority of Americans which wasn't always the case." Then she concludes, I love my audience, "I think the economy is much peachier for corporate interests and the high wealthy and the highly wealthy, which is the country's perennial problem. But unlike in past times, there is growth for the middle class, and that's being overlooked." I think that's up for debate, though, right? But I really appreciate this feedback.

What are your thoughts on the economy? Does it feel recessionary to you? What are your pain points? We're going to address them on the show. I think this can be a great forum and a platform to addressing what's actually happening out there, real-time experiences, real-time feedback. The Bankrate survey which was done actually in October of 2023 found that most adults agreed the economy was in a downturn. This was regardless of income, age, region, gender, and race. Almost the same amount of those of us in the lowest income households say they feel like the US economy is in a recession as those at the opposite end of the spectrum.

We're calling it the silent recession. Yes, there are some videos on TikTok and Instagram, quiet recession, silent recession. The reason we're calling it the quiet or silent recession is because we're just not talking about it enough. But everyone is feeling it, so I'm going to commit to really bringing this up in future episodes. If you have questions about this, don't be shy. Don't feel like you're alone. I'll be very candid with you. A lot of my business over the last 15 years, a big portion of my business has comprised of working with brands and working with marketing teams. Those departments, those dollars, everything's on pause right now.

I'm hearing from other solopreneurs that if they had a client-facing business, if they were coaches or people who provide professional services, their revenue is down. Across the board, people who work in corporate, people who work for themselves, we're seeing some recessionary signs. Of course, this is not everybody, and it's more industry-specific. Then on top of this, you've got TikTok being threatened. I don't think TikTok is going away. I wouldn't mind for it to be divested from its Chinese owners. But it is a wake-up call for people who are using

TikTok and other social media as a major part of how they connect with clients and get business and get exposure. You need to find another way to demonstrate your expertise and your thought leadership. I've been saying this since day one.

That's my personal essay to start the show. If you're feeling the pings of this quiet recession, let's get loud about it. If you missed any of our episodes this week, I highly encourage you to go back and take a listen on Wednesday. Just a couple of days ago, I aired an episode that I did live in front of an audience on the Upper West Side at the M.M.LaFleur clothing store. I interviewed Sarah LaFleur, the founder of this women's wear brand. She actually had been on the podcast in 2017. We had a lot to catch up on, including how the business had navigated and pivoted during COVID. Sarah had some new developments to share in her personal life, a mom now to three children.

Then we started the week with a conversation with Nicole Barham, who is the creator of the 5 Minute Bookkeeper program. I had Nicole come and talk about how we can do some really quick, late, last-minute bookkeeping if we haven't touched our books all tax year and how going forward we can simplify our bookkeeping. I actually don't have a bookkeeper anymore. I had one until the end of the year. Then I realized this actually isn't that hard to do, especially if you're hooked up to something like a QuickBooks or Nicole's 5 Minute Bookkeeper program. Check out those two episodes. I think you'll learn a lot.

We're going to head over to pick our reviewer of the week from Apple Podcast real quick. But I wanted to remind you. If you're in the audience and you want to write a non-fiction book this year or next year or at some point and you're struggling, you're stuck, you don't know how to get the proposal done, you have no clue how to connect with an agent, which by the way, it's how it works in the traditional publishing industry. You get an agent. The agent shops your book proposal to the publishers. That's how 99% of deals get done. You're like, “How do – this is like a pie in the sky idea. I don't know where to start. But I really, really want to do this. I feel like it's my calling.”

I'm going to help you. I've got a live workshop in May in New York City. It's now the sixth or seventh time I've done this. I've helped many entrepreneurs, thought leaders, coaches, creative thinkers create book proposals, connect them with agents, get their book sold. My last client, she sold her book for half a million dollars using the individuals that I curated for my workshop. What is the workshop? It's called Book to Brand. It used to be a whole two-day event. I've truncated it to one day. I've dropped the price drastically. But I found that most people struggle with this first leg of the book writing journey, which is getting the idea on paper, getting the blueprint for the book proposal, and getting the connections, the agents, the publishers to not only connect with them. But get their feedback, their constructive feedback.

We've got the whole lineup. We've already booked all of the guests. You can go to booktobrand.co, booktobrand.co, to learn all about what we've got in store for you that day. We've got an early bird special happening right now that's going to expire at the end of the month. Now is the time to get your ticket. Tickets are going fast. If you have any questions about this, just DM me on Instagram. Or you can email me, farnoosh@somoneypodcast.com. But I'm telling you, if you want to get your book out the door this year, at least the book proposal because we know books take a couple of years from start to finish, you want to be at Book to Brand.

All right, let's go to the Apple Podcast review section and pick our reviewer of the week. This person gets a free 15-minute call with me. This week, we're going to say thank you to sarahcalvertaudio, who left a review earlier this month. She was a big fan of a recent episode that I did with Gigi Gonzalez. She says, "I've been listening to So Money for almost two years now. I've loved every episode. However, this episode, episode 1639 with Gigi Gonzalez, hit home with me. I may be a young white woman, but I do feel an immense amount of pressure to support my low-income family, to feel guilty that I am striving for something bigger and better. I wouldn't have found the framework for that without Farnoosh. She reminds us that we can do it all."

Well, Sarah, thank you so much, and thank you to our guest, Gigi Gonzalez, who wrote the book *Cultura and Cash*. It just came out. It's a part memoir, part guidebook for anyone like Gigi who has felt that she grew up with a false set of financial ideals, that she grew up with this pressure to always support her family no matter where she was in her financial life. But that as soon as she started making money, her job was to support her family. While she wants to uphold some of those values as the daughter of Mexican immigrants, very appreciative of the life and the sacrifices that her family afforded her, the truth is she's got to figure out her own finances before she can help others, and make that a consistent part of her value system. If anybody wants to check out that episode, it was episode 1639. Sarah, though, thank you so much for your review. You can email me, farnoosh@somoneypodcast.com. Let me know you left this review, and I'll reply with a link for us to get that 15-minute phone call on both our calendars.

All right, let's go to the mailbag. First up is Audrey, and she says, "Farnoosh, I've been following you for years, and I've always appreciated your advice. I have a parent-related money question. My mom is getting close to retirement age. She's got about five years till retirement. Right after she got divorced, a rep at her bank convinced her to put 20,000 in a taxable brokerage account. I have been focused on tax-advantaged accounts, and I don't know as much about brokerages and their taxes. My mom spoke with a rep at her bank on the phone, and they told her that it would be extremely expensive for her to move her money. She would ideally like to move some of this money into a Roth. Could it really be such a big hit that moving the money at all is that bad? Or do they just want her to keep her money with them?"

Ah, yes. I think it's a little bit of both, Audrey. I think that the bank, obviously, wants this cash to stay parked with them. The statement that this could be very expensive, well, that's a relative term. What are we talking about? This may require paying taxes, depending on how long this money has been in the account, in the brokerage account. If it's been under a year or over a year, your mom will either have to pay short-term capital gains tax or long-term capital gains tax. Short-term capital gains tax is more expensive. Whether or not she can do this, keep a couple things in mind, okay?

Firstly, to contribute to a Roth IRA, you have to contribute cash or a check that's coming out of a cash account. If her brokerage doesn't have enough cash in it, in other words, the money is all invested in stocks or bonds, then she needs to liquidate some of that and then move that into the Roth IRA. Again, selling those stocks, selling those bonds, it could trigger a tax event, so something to look into and do the math on that. Then once the money's in the Roth, she will buy new investments within that Roth IRA. I would recommend a balance of stocks and bonds in that Roth IRA, maybe 50% stocks, 50% bonds. Given that she is close to retirement, I wouldn't want her 100% in stocks. She doesn't want to take on all that risk.

This is the other thing. I don't know if your mom is working, if she's retired, if she's working part-time. You can open and contribute to a Roth IRA, regardless of your employment status, whether you're full-time, part-time, not working, as long as the contributions to that Roth IRA are the same or below your earned income in that year. My advice is talk to somebody outside of this bank, maybe a financial planner. Or find out where she wants to open up this Roth IRA. It sounds like it might be at a different bank. Call them and say, "Hey, I'm thinking about taking some money out of my brokerage account and opening up a Roth IRA with you and putting some of that brokerage account money into this Roth IRA. What's the process? What's the cost?" Compare what they say to what her current bank is telling her. She might be able to fill in some gaps there. Both sides will be biased. Obviously, both sides want her money. But the bottom line is if she has to sell some of the assets in the brokerage account to then transfer that cash into the Roth IRA, it could likely trigger a tax event. That's where her current bank is telling her this could be "expensive" because of the tax cost. I hope that's helpful.

All right, next up, we've got Sarah. She wants to know, "Farnoosh, do you think there's any risk with having all of my financial eggs in one basket?" She says, "For many years, I've had one main bank for emergency savings, a CD, and a lesser-used checking account. Then I have my main checking and spending account at another bank. I'm trying to simplify my finances this year, so I've been thinking of just using one checking account. But I'm concerned with how often companies get hacked these days or rising incidences of financial fraud. I would love to hear your thoughts."

All right, Sarah. Really important wherever you're banking that there is FDIC insurance, which these days most reputable banks. I mean, it would be really hard to find a bank that doesn't have FDIC insurance, but still check. What you want to know about this FDIC insurance, which essentially is insurance that the bank has in the event that they get hacked, there is fraud, there is some sort of collapse of that is anything that's not your fault, right? You didn't and overspend the money or lose the money or transfer the money to the wrong person. Your money is secured up to $250,000.

The risk with having all of your money at one institution is greater if you've got more than $250,000 at that institution. Each depositor is insured to at least $250,000 per insured bank. That includes all types of deposits held at the insured bank, so CD, your savings, your checking.

The total of that, the total balances on those accounts, if they are less than $250,000, I wouldn't be so worried. Once you exceed $250,000, that's when you want to consider possibly opening up an account at a secondary bank.

All right, next up is Nicole. She says that she, first of all, never misses an episode of So Money. I have to say, that's quite the triumph. I asked the audience a couple weeks ago. How would you feel if I went from three days a week to one day a week but maybe made that a little bit more of a longer episode with an interview and Ask Farnoosh in one? A few of you got in touch and said, “Don't do that. Don't do that.” I was like, “Really?” I was shocked. I was also honored to know that you like the consistency and the frequency of this show. For now, we're going to stick with three episodes a week.

Back to Nicole, she says, “I'm an engineer in my early 50s who has become highly interested in personal finance over the past several years. I listen to about seven financial podcasts. I've recently read many of the most influential money books. I've been educating myself and really loving the whole process. I enjoy it so much that I'm considering the thought of becoming a financial coach as a side gig for now and then maybe a part-time job in retirement. My question is I've read that you don't need any official certification. But it seems it would be best to have something, and I want to make sure I'm giving the best possible advice. Can you recommend a professional certification course preferably online? I've Googled it, but I've been overwhelmed with all of the “sponsored curriculums.” So I'm looking for an objective and educated opinion.”

Sure. Nicole, I actually did a little bit of a story on this when I was at Oprah Magazine, looking at the various ways to get certified as a money coach. As you say, this is not necessary. It's not a requirement because you're not going to be handling people's money. You're not going to be investing their money. For that, you would need to be certified and licensed. But in my exploration of this topic, I did talk to two money coaches who told me about their process. The first is Deborah Price, and she's actually the CEO of the Money Coaching Institute. That's one resource, the Money Coaching Institute. Deborah leads it. She's also a money coach. That is a very popular certification program.

Then I also spoke to Carrie Friedberg, who is a certified financial behavior specialist, CFBS. This is a little bit different. If you want to work more on people's sort of emotions and behavior and how it's wrapped up into their money relationship, a money coach can do that and, again, your choice whether to get certified or not. If you want to go a little bit deeper and not get the full psychology degree, but you want to learn more about behavior and human behavior, there's the certified financial behavior specialist designation. Carrie Friedberg, a woman I interviewed, had that designation. I thought that was really interesting. I think this is not as broad as I'm being a money coach, so I think you might find some more tailored websites to this.

Finally, the Accredited Financial Counselor certification program, afcpe.org, is a very well-established certification program for financial counselors, money coaches, money coaches. Check those sites out. I love that this is something that you want to pursue. I think that's great that you want to do this in retirement. I think that's a wonderful job to have, especially knowing that so many people in retirement need specialized help when it comes to their money. There really isn't a ton of resources out there. As we know, so much of the financial advice is catered to young adults, Millennials, Gen Z. So to work one-on-one with maybe people that are more like your peers, I think, could be such added value.

All right, next up is Britney. She wants to find a good accountant. She's starting a small business. She's going to be offering virtual classes for kids. “Any recommendations,” she asks, “for a good and affordable accountant?” She says, “I prefer to work with someone who knows about small business accounting but also specializes in media and entertainment.” Britney, I would say that if there are any professional organizations that you're a part of, networking organizations, within that organization, the members will have usually someone they can recommend.

That's where I would start. I would start by talking to people who are in and around your industry. They're, obviously, small business owners, and maybe they also work in this space of education and media and entertainment. Ask them. They will be able to tell you firsthand whether who they're working with, they like this person, the pros, the cons. When you say somewhat affordable, the price, the cost of working with an accountant really runs the gamut. It's hourly, anywhere from 150 to 300 dollars an hour to do your whole tax return, depending on the complexity of the tax return and how organized you are with giving them all the necessary paperwork. Being more organized usually means less time for them and less money for you. That can be anywhere from under $1,000 to thousands of dollars.

Shop around. Ask about their fees. Get it in writing. Get a sense of what's involved in that cost and how you might be able to offset the price because maybe you're going to be more involved. Maybe there's an accountant who charges X. But then you find out, well, it includes bookkeeping and sending out your 1099s and doing your business and your personal. Maybe you're like, “Oh, I don't actually need all of those things, so can we pair this down and work from there?” Start with your own network of professionals, people that you're talking to that you are going to for other advice. The other way to find a good CFP is if you're working with a financial planner or a money coach, they usually will also have recommendations that are tangential to financial planning like tax prep. All right, Britney. Thanks so much and congrats on your new business.

That's our show for this Friday. Everybody, thanks so much for tuning in. Happy St. Patrick's Day, and I'll see you back here on Monday when our guest is Amy Shoenthal. She's the author of the new book *The Setback Cycle: How Defining Moments Can Move Us Forward.* I hope your weekend is So Money.

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