EPISODE 1701

So Money episode 1701, Ask Farnoosh.

[INTRODUCTION]

ANNOUNCER: You're listening to 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]

[0:00:31]

FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. July 26th, 2024. We have a co-pilot on the show today. My friend, Georgia Lee Hussey, Founder of Modernist Financial, here to help us answer your money questions about whether to pay off a mortgage early, how to invest when you feel late to the game, what can we do if we're expecting a child? Is there a budget we should follow? Because Georgia is Georgia, and we love her for her activism, I wanted to talk to her about the election, and what we should be doing, what she's advising her high net-worth clients to do with their money in the run up to the election, align their financial values with their political values, and why it's important to remember that elections are part of a cycle, and we shouldn't make knee-jerk reactions to anything that's happening in the news.

First, let's talk about what's happening on the So Money front. If you're listening to this podcast, or part of the community, but we also hang out in other places. We hang out on Instagram @farnooshtorabi. We hang out in the So Money Members Club, and you can learn more about that by visiting somoneymembers.com. My newsletter. I've been sharing some opinions about things of late on these platforms. I've noticed that a lot of people in the community really want advice around family planning, and specifically, advice from me as a midlife mom breadwinner, how I'm teaching my kids about money, how I'm managing money in our family. I'm going to be doubling down on that over the next several months, because that's what you're telling me you want.

One of my popular posts this week was about advice you gave us, you gave me about what you wanted to know, what you wish you had known about money before you had kids. Financial advice, parents say they wish they had gotten and that they want to pass on to future parents. This included being sure to select a home in a community, where there's excellent free schools, that you need to find ways to afford childcare and it's okay if you make trade-offs, because it's a short-term investment. Don't feel bad about it. Another parent said, prioritize your retirement funds over your child's college funds. Another parent said, practice meal planning now, because when your kids are teenagers, all your money is going to go to feeding them.

Then this was awesome, I really liked this tip, that we need to carve out money for ourselves, especially in those early years. We are just giving, giving, giving to our kids, our babies, but it's really important to carve out money and time and energy for yourself, especially moms. You matter. I also want to talk a little bit about this Wall Street Journal article, another one. I know last week we talked about another Wall Street Journal piece, but this week there was one about the 401k rollover mistake that's costing retirement account holders billions of dollars, a 172-billion-dollar mistake, which I have made, and so I must pass this on to you now.

The mistake is this, when you rollover an old 401k into an IRA, because you left your company for whatever reason, it's really important that you make sure that the money that gets rolled over is invested in the stock market. Because typically what happens is when the money gets transferred from the 401k into the IRA, the first step is that the 401k provider liquidates the investments and holds them in usually, a money market account, or a cash account, and that cash gets transferred to the new institution. In some cases, just from one account to the next account within the same institution, and now we have to, we, I, you, me, have to invest that money all over again.

I made the mistake of assuming that because I was shifting the 401k into an IRA at the same institution, that all was changing was the branding on the portfolio. It was just, the name was just changing. It was changing from a 401k to an IRA. But why? Why liquidate the investments? They liquidated the investments, they transferred them into the IRA. For one year, my money sat in the money market, while the US stock market rallied 24%. That hurt. Then come to find out that I'm not the only one, far from it, that this is a costly mistake that many, many retirement investors are making, and it's to the tune of 127 billion dollars. It needs to stop. You can do this today. You can just go check if you've rolled over any money, just go and see. Make sure that it's invested, that it's not sitting in a money market, or cash account.

In case you missed any of our episodes this week, I'm going to give a shout out to them right now. On Wednesday, we talked about how to work through financial stress and election anxiety with our guest, Aja Evans, a board-certified therapist, who is also a speaker and she specializes in financial therapy. How to get a handle on your stress that has only been exacerbated in this environment, in this uncertainty caused by the 2024 elections.

Then on Monday, you can go back to Monday and listen to my juicy conversation with Glynnis MacNicol, who's the author of the new book, *I'm Mostly Here to Enjoy Myself: One Woman's Pursuit of Pleasure in Paris*. That may not seem like a hard thing to do, but ladies, it's really hard to just pursue fun for fun. We got a lot of things going on in our minds. We often feel guilt and embarrassment for pursuing projects and things just for the pursuit of happiness and joy. God forbid, we do something for ourselves. Glynnis, I should mention, she's a woman untethered. She is single, she is child-free. In some way, she has a bigger license to go out there and have fun. I promise you, wherever you are in your life, however you are living your life, we can all learn from Glynnis. We talked about how to afford the pursuit of pleasure. She's got some good answers.

All right, before we get to the mail bag and I bring on Georgia Lee, I'm going to go to the Apple Podcast Review section, because we have a brand-new review that deserves reading. This person's going to get a free 15-minute phone call with me, whenever you want. Here we go. It's Ariel Cristina who writes, “I have been listening for about three years after I graduated from grad school. So Money has been really life changing for me, and I've been learning about so many different areas of money. I feel like, we can all learn the basics, like budgeting and saving, but Farnoosh goes above and beyond and teaches us the principal psychology and thought behind money. I love all the guests and every episode. It's been informative. In the time that I've been listening to this podcast, I've managed to save over six figures, buy a house on my own, also being the first female in my family to do so in one of the most expensive markets and make a plan to pay my student loan debt. Thank you for all the knowledge and insight. I also love your books. Please, don't ever stop doing what you're doing. P.S., I love Persian food, including gheimeh and kashan joon.”

Whoa, this review has it all. It's got what she loves about the podcast, how it's been helping her, all the financial accomplishments she's made and it even sprinkled in tidbits about my book and my Persian heritage. Ariel, you deserve more than a 15-minute money session, but let's start with that. Send me your information. You can email me farnoosh@somoneypodcast.com. You can DM me on Instagram. Get in touch, so I can send you my booking link to schedule your free call with me. We'll talk about whatever you want.

This is an ongoing offer, my friends. If you want to get on the phone with me and talk about whatever's on your money mind, career, anything, leave a review in the Apple Podcast review section. When I see some new reviews, I'll read one on the Friday show and that person gets a free call with me.

All right, let's hit the mailbag. Georgia Lee Hussey, my friend, welcome back to Ask Farnoosh and Georgia. It's been a while. I missed you.

[0:08:31]

GLH: It has been a while. I miss you, too. I'm so glad to be here. I love your listener questions and how you talk about the big things in life.

[0:08:39]

FT: The big things like, investing is a recurring theme right now. I have an all-woman friend in the audience, who is in her 50s, and not sure about how to begin and obviously, the perceived risk. Tiffany in the audience wants to know about investing when you have limited funds. We have a friend in a foreign country, Mandy, in Mexico, wants to know whether she should pay off her mortgage sooner than later. I guess, I don't know about Mexico, but obviously, here we had 3%, 2.25% rates during the pandemic. I'm not sure that happened in many other countries. Her rate is relatively high, so it's a valid question.

Then we have a question about budgeting for newborns, which is something that I've been diving deep into lately as I've been, you don't know this, but I've been working on a lot of reporting and interviews on affording a kid in America.

[0:09:38]

GLH: Yeah, it's a good question.

[0:09:40] FT: Yeah. So many tentacles. That'll be coming on the fall. But we can address it even a little bit earlier today. First, let's talk about, as I will, always love to talk to you about money at the intersection of policy and politics. I just did an episode on Wednesday with Aja Evans, financial therapist, helping those in the audience and myself, quite frankly, work through any of their financial anxiety that's been exacerbated with looking at the election and all the uncertainties. Where do you sit at this intersection? What are your thoughts? You're, I'm sure, helping a lot of clients through these worries and jitters as well.

[0:10:16]

GLH: Yeah. Our work is primarily with high net-worth folks, who are politically progressive. This is a particularly nervous making moments, especially with things like, the Project 2025 kicking around, there's a lot of uncertainty and worry. Then we also have a lot of people who are traditionally marginalized in the financial world. Women, queer people, men who are in touch with their feminine selves, which are pretty, can get burrowed out of finance pretty quickly. There's a lot, and also, clearly folks of color.

I'm interested in how we feel control in a moment where we feel like we don't have control. This is a moment where, to me, this is magnified, but it's always true. Especially in the world of investing. When we think about how the media talks about politics, it's a very noisy conversation. It's very much about trend. It's very much about the loudest –

[0:11:30]

FT: Grabbing attention. Attention span. Right, right. Whatever it takes.

[0:11:34]

GLH: Yeah. A good investor knows that that's just noise. We often talk about, we need to clear the financial noise in this moment and then make decisions from that point. I think the first thing I always remember is that the data shows that any information in a short period of time, let's say, under three to five years, is just noise. You should not make any decisions based on what I would call recency bias. Because good investing is based on 20-year time spans. One year, three year, five days, one week, that is – whenever I hear the radio and they're like, "The Dow is up, yada, yada," I'm like, first of all, Dow is not a very valid index to even be considering, and one day's information, you've given me zero context. Tell me where the market has moved. Tell me how the Russell 3000, which is all US stock, has moved over the last 20 years and what today's movement, or this year's movement is, now I have something that's somewhat interesting to think about.

I believe, that what's helpful right now is to know that you don't know, and just accept that and try not to over index your financial life to the political moment within your own individual decisions. Just work your plan, man. Just throw your money away into your 401k, throw your money under your reserves, pay down your debt, do the things you were doing before that were about setting yourself up for stability and a foundation in which you can make good decisions. I would say, think about, can you give money to organizations that are influencing policy right now?

I personally, outside of the business, I fund journalists and I fund lawyers, because we need a lot of both of them in order to support democracy. They're the elements of our democracy that are not actually funded federal years at the state level. I support Lambda Legal, I support Southern Poverty Law Center. I support organizations that are going to go out and sue people who are being bigots. I love them. They put the bad guys out of business in a way that I really appreciate and saying what journalists say. Now, thank God for people like you, Farnoosh, that are doing the work of talking about the important thing. That's really what I think we need to hold onto. Then when we feel fair, just call it fear. Don't call it truth. It's just fear.

[0:14:06]

FT: Right on. I really appreciate how you're balancing the advice saying, do what you've always done, what we know is true, with some action that will speak to the moment. It's donating, it's using your voice, it's contributing to the causes that you think will support democracy, so that you don't just feel like the string quartet on the Titanic.

[0:14:30]

GLH: Exactly. Because you're not. A democracy is made up of people who are engaged in the system. It's not something that happens for us, we have to do it, too. Whether that's donating, whether it's time, there's lots of organizations that are out there, that are working to support the right to vote, because it's very clear that there are forces from the right that are trying to limit our right to vote, especially women and folks of color. Get out there and that's a local fight, too. Get out and support democracy and the right to vote in your county, in your state. That is so impactful and also, just good civic behavior. The other one I think I would pull forward is a project out of Chicago called 36 Questions for Civic Love.

[0:15:26]

FT: I will do that.

[0:15:28]

GLH: It's beautiful. It's really just, it's a cascade of questions. We say that the work that we do is asking beautiful questions in public at Modernist. They're doing this work very intentionally. It's about, how do we talk across difference? How do we speak across difference? How do we hold conversation with people who maybe don't agree with us, but we may find out, actually, we hold a lot of similar values, evidence them in different ways? I would also have a conversation with somebody who's not like you, but do it from a place of care and honoring difference. I find the 36 Questions for Civic Love to be really helpful in that effort.

[0:16:12]

FT: I am Googling it right now. National Public Housing Museum, Pace Center for Civic Engagement. This is great. Thank you for that resource.

[0:16:24]

GLH: Yeah, I love it. Yeah, that's the best we can do right now. Donate, give time, have conversations with people who are not like you.

[0:16:34]

FT: Fantastic. Thank you so much. Okay, let's talk about investing right now. Two different questions about this that we received in the mailbag. By the way, listeners, if you want to send me your questions, it's very easy. You can direct message me on Instagram. You can email me, farnoosh@somoneypodcast.com. You can go to the somoneypodcast.com website and click on that button at the top that says ask Farnoosh. Tiffany wants to know, what do we think is the best investment option if you're just getting into investing with limited funds?

[0:17:05]

GLH: Yeah.

[0:17:08]

FT: I'd love to hear your thoughts on this, and then I'll weigh into it at the end.

[0:17:12]

GLH: Yeah. My first question is always going to be, do you have a retirement plan at work? Because if you do, there's a likelihood that there's a match. I love free money. You should love free money, too. It's part of your benefits package. I would start there. If you can do $50 a month, likely, you're going to get that $50 match. You've now saved $100 at 50% of the cost to you. Not to mention, any tax benefits that might be available. That's where I would start.

If you don't have a lot to invest, you may also have low taxable income. If that's true, I love a Roth IRA. They are the sexiest. Other than the healthcare savings account. Which we also had a conversation about. Actually, Roth comes first in the hierarchy of investing. I would say, open a Roth IRA, put in a little bit of money. One of the wonderful things about how the financial industry is changing over the past 10 to 15 years is that there are very robust retail investing sites that are very low cost and have a ton of information on them. Also, pre-built portfolios for you. If you're just starting, I would buy the riskiest portfolio you can at the cheapest cost available. Vanguard, Ellevest, Betterment. There's a bunch of them out there. Take a look around.

[0:18:32]

FT: Riskiest, though, we don't know her age. Maybe we want to caveat that, or what do you think?

[0:18:37]

GLH: Well, I don't know. If you haven't been investing, I wouldn't caveat that. Because if you are older, then you actually need to take risk and know you're not going to touch it.

[0:18:50]

FT: Okay. As long as we know that there's not going to be any touching for at least?

[0:18:56]

GLH: 10 to 20 years.

[0:18:57]

FT: Yes.

[0:18:57]

GLH: That's how we invest. As investors, we think in 20-year periods. That's an important memory for us to hold tight, because it doesn't matter if the market goes up and down, because market cycles tend to be every seven to 10 years. If you stay in the market for at least 10 to 11 years, you're going to have more money than you put in. if you stay for another 10 years, you're probably going to have twice as much money as you put in.

[0:19:22]

FT: What do you think of that rule of thumb where you take 110, or hundreds a tractor age, and then what number, let's say, it's 100 minus 50, 50% in stocks versus 50% then in bonds. Because people want to know what's the shortcut for knowing the allocation.

[0:19:39]

GLH: Yeah. I'm interested in these rules that we say to each other, because they're usually very old. That might have been a good rule for my grandmother, who would be in her early hundreds now. Generally, if I have a client who, well, if I have a pro bono client that is in their 50s and has not been investing, that would be a rule that would actually set them up for failure, because they need to invest and they need to go hard on risk, because that's one of the ways they're going to catch up with the lack of investment. I'm in a similar situation. I started a business, I plowed all of my resources into my business. I funded my retirement, but I knew I was a little behind, because I had invested in a career change and done a lot of things. I'm in a 100% stock.

[0:20:31]

FT: Wow.

[0:20:31]

GLH: Now, I understand risk, right? I know I'm not actually taking any risk, because the money going into my 401k, I'm not going to touch until my early 70s. I would be taking more risk by not going 100% in equities. Because I'm just losing growth that's going to compound. I think those rules of thumb, the 4% rule is another common one that we hear about withdrawal rates, they are not really relevant anymore, because we live a long time. That was the age, 110 minus my age is a number that was suitable for somebody who had a lifespan of 70, 75. Their money just didn't need to last as long.

I would say, it really is more about working with a fee-only financial planner. You can do it. Just a one-time project-based fee. I love XY Planning Network for that. Then a lot of these other retail firms also have resources available to you to just figure out how much you need to save. That's where I would start, is get some good advice from a fee-only financial planner and they'll tell you what's appropriate.

[0:21:43]

FT: Audience, I love working with Wealthramp. You heard of Wealthramp? Wealthramp.com/farnoosh, go there. Have that with a fee-only advisor. You already answered the next question to some extent, which is about investing from our friend in the audience, Linda. She's in her 50s, and just nervous about investing for the first time. I think, I know what you're going to say, but let's help Linda out specifically here. She's nervous and I think that's a lot of people at this stage in life. Maybe she doesn't want to. Maybe she does need the money sooner than in her 70s.

[0:22:17]

GLH: Yeah. That's a great point. Again, working with an organization like Farnoosh just mentioned, or any planner who can say, when do you need the money? I'm going to just give you my little shortcut on risk. When we invest, there's three kinds of risk. There's time horizon risk, which is what we're talking about. When do I need the money? If I need the money for my 70, 80, 90-year-old self to support my retirement, then I need to be risk positive, because I've got a lot of time to grow. The second, if I need the money in five years, I'm likely going to tell you to either, to keep it in a high-yield savings account at this point, because they're paying 5%.

If you need it in seven to 10 years, I might say, 30% stock, 70% bonds in cash. That's the way I think about it, versus 30 years from now, 100% stock. I'm actually taking more risk by not allocating to stock and growth assets. There's time horizon. Second kind of risk is the portfolio itself. That is a number that is produced by the historical returns of a portfolio. It's called standard deviation. It basically means, how much does the portfolio go up and down? How much is the fun side, the upside, but also how much is the downside? The downside is natural. I think, that's one of the things that I hear as an unspoken story is that something's wrong when the market goes down.

Nothing's wrong. That would be like saying, it's supposed to be summer all the time. That would be weird. We need winter. It's very natural for markets to cycle in the same way that you want your garden to grow, flourish, harvest, die off. That's a very common cycle. Every portfolio is going to have a standard deviation, or a down market that's expected. I often tell people, I'm like, well, when the down market comes, expect a negative 20% return. But the next year, I'm probably going to expect a 30% positive return. That's just how market cycles work, and it certainly has for the last 40, 70, 80, 100 years. You can look at –

[0:24:28]

FT: I'm thinking about when all the times I've been on news programs, whether it was I was reporting on the news, or on the news as a guest expert talking about the markets. you're right, whenever the Dow or the S&P swings heavily one direction over the next, they want you to give the very specific reasons to what's going on, why is it wrong. Imagine if all those times I was like, "The market's doing what it's supposed to do." To your earliest point, that's not how the media functions. It doesn't want to tell everyone that everything's okay. That doesn't sell advertisement.

[0:25:05]

GLH: Exactly. It's always like, this is normal and here's also my hot take on why this is normal.

[0:25:10]

FT: Exactly.

[0:25:13]

GLH: The last thing I want to just point to, and the third kind of risk and the most important is our emotional risk. We as humans are not very good investors. When things are scary, when it feels like the market's down, we get scared when the best thing to do at that point is buy. That's very hard for us. When things are really hot, that is the worst time to buy. That's generally when we want to buy. A shorthand for this is Warren Buffett said something like, when everybody else is greedy, be scared. When everybody else is scared, be greedy.

I think, what I hear in this person's question is a self-awareness about her own emotional risk tolerance. That's where, again, a planner can say, you're not actually taking risk by having a high-risk portfolio, because you need this money in 30 years. You need it to grow. We're going to buffer you with reserves and emergency funds, so you don't need that money.

[0:26:05]

FT: Right. Right, right, right.

[0:26:06]

GLH: It just goes aside. Pretend it's not there. Let it grow.

[0:26:09]

FT: That's maybe the caveat, that if you're going to go full-on risk, that you do obviously, first, take care of your current need, your current financial needs. You don't have high interest credit card debt. You do have a savings buffer.

[0:26:23]

GLH: Or you're splitting the difference and doing $50 into something high risk, while you pay off the debt and build your reserves. Because I do think there's a habitual quality to investing that's just helpful to just start even a little tiny mini amount. Tiffany, yes, start something little. Keep growing it. You will be delighted when you see it double in value.

[0:26:43]

FT: Flex the muscle. All right, a couple more questions here. Mandy wants to know if she should pay off her mortgage sooner. She says, “We live in Mexico and our mortgage is at nine and a half percent interest, a good deal here since almost all mortgages are around 11%.” They do have an emergency fund with about four months of reserves in that, but not a lot in the stock market and as investments. They have a baby. They're a dual income household. In Mexico, she was explaining to me that to get a “good education,” private school is the path that's going to cost.

Their thinking is, “Let's pay off our mortgage,” which if they really hunkered down and focused on it, she estimates they could do in six years. Then that would free up cash flow for private school for their one-year-old. I think that nine and a half percent, there's a valid reason there to really focus on the mortgage. I have a 3% mortgage. I'm not paying that off anytime soon.

[0:27:45]

GLH: No. Please, God, no. Here's my resistance to paying down a mortgage is once you pay down that mortgage, you can't get the money back out without paying another bank to give you that money. I don't like paying other people for my own money, generally, as a rule. I would say –

[0:28:05]

FT: I don’t even like ATM fees, okay?

[0:28:08]

GLH: No, no, no. No, no. I would maybe split the difference. We have some clients that have interest-only mortgages. We actually invest in a mortgage account that's 50-50 stock and bonds. It's growing for them, so they can pay it off when they want to. But they still have that liquidity. If they move, they've got cash. If they need it for medical expenses, they've got cash. If they need it for something else. Because again, once you put it in the mortgage, you can't get it back out.

My concern is that the prioritizing of goals is very short-term in Mandy's question. I think that's how most of us think.

As a financial planner, I think very long-term. Your interest rate, though high, is still flexible enough that if you could pay it off in six years, you could also invest a fair amount of money and pay it off in 10, or 12 years and be splitting the difference and still have liquidity. Because what I hear in your situation, Mandy, is you don't have a lot of liquidity. You've got some emergency funds, but that's not going to likely keep up with inflation, at interest rates over the long-term. I would say, maybe you put $100 a month extra to your mortgage, but you put $400 a month into your Roth IRAs, or your 401k, or your brokerage account. I don't know what's available to you.

[0:29:38]

FT: Well, that's not liquid, though, right? Maybe a brokerage account.

[0:29:42]

GLH: Maybe a brokerage account. But I would be more focused on retirement. Because if you don't have any investments –

[0:29:48]

FT: Right, she did say that.

[0:29:49]

GLH: You need long-term money to be growing, because you've got your reserves and you have enough money to support your life. Don't fund your child's education without funding your retirement, I feel like the core problem, I see that is.

[0:30:01]

FT: That's it.

[0:30:02]

GLH: Which is normal. It's like, you want to take care of your kid, but you don't want your kid to have to take care of you.

[0:30:08]

FT: Right. It's tricky, though, because they don't have good public schools. We usually use that expression in the context of college, because we have options in America. A lot of good public-school options. You're right. I did breeze over that little important fact, which is she doesn't have investments. Yeah. All right, Mandy, good luck to you. Thank you for your question. I like that hybrid approach that you suggested.

[0:30:33]

GLH: Yeah, split the difference.

[0:30:34]

FT: Then finally, Ruthie, any advice for budgeting for a newborn? I'm actually writing about this right now. I'll just share a little high-level stuff. I have two kids. I've been interviewing a lot of parents and financial planners and pediatricians and all sorts of experts in the arena of raising a child. One thing I'll just say is that, and my brother and his wife, for example, they don't have – they're child-free, but they're looking ahead, "Maybe one day we'll have kids."

I remember being in this camp of like, how will I ever afford it? Because I forgot that my life's going to change dramatically. My mistake was thinking about all the things I'm already spending on. Then layering on top of that, the cost of raising a child and going, "Oh, my gosh. It's impossible." That would be impossible. I want to, first, before you put pen to paper, start running the calculator, start making any money moves, just imagine what your lifestyle is going to be when the child is in your life. In just that first year, don't extrapolate to high school and college. Let's just focus on the immediate and how your life may transition and what that's going to mean financially.

The big ones would be, what is your work-life situation? Are you going to be taking time off work? If you are, will it be paid? Will it not be paid? What's your healthcare plan? What are the benefits there? Because that also is going to contribute, or not contribute to your financial plan in that first year, including also, the run up to having the child. Fertility, egg freezing, all the other stuff, too, in the run up to bringing a child into your life. Adoption. Looking at the costs of these sorts of things, as well as your new lifestyle, the first year of having a child. I would also include the cost of childcare. If that's important to you, when you're going to include childcare into the picture. Is it right away? Is it six months later? What are your options? What are the costs? Those are your non-negotiables.

You can't really work around conception, fertility. Life will take its course and you have to be prepared. Then once you have the child, there are some non-negotiables. You have to feed the child. You have to bathe the child. You have to go to doctor visits. You have to care for the child. Then you add that up. That's the first calculation. Hey, what is that? Then you look at your life today. I'll be the first to tell you, you're not going to be eating out as much, you're not going to be going out as much, you're not going to be probably taking that annual vacation, or at least the way that you have been. You're going to be a homebody for that first year. That's okay. These are not compromises. As parents, they say, this is just what you do. It's what you wanted. Maybe there is a deficit and you'll have to fill that, but this is rule number one, step number one. When you have clients, I don't know if you've ever engaged with clients around family planning, where does the conversation usually go?

[0:33:36]

GLH: Yeah. All those things, I love that frame and I love the acknowledgement of life transition, right? That's what we're doing. We're planning for a life transition. Most financial planning is just that. There's a transition coming, how do we want to prepare ourselves for it? The things I would add to this are, think about your resources that are not just money. This comes up with childcare a lot. We have clients who move to a location that is closer to family, or they end up, a family member moves to them to help pay for childcare. That's very common in Portland. We've got a lot of grandparents running around here. That's essential, because childcare is extraordinarily expensive.

Think about who else is around. We have friends who have, and clients who have nanny shares. There's just a lot of ways to figure this out. I think there is space available for shared social capital to help support these costs. The other thing I like in a transition is to basically, pretend you're funding it now. You start a baby savings account, you figure out you're going to need $500 more a month to fund this lifestyle with the changes based on Farnoosh's excellent rubric of thinking. You start putting $500 a month in there. Now, you're starting to build your maternity, your paternity or parental leave fund. You're starting to build your doula fund. You're starting to build your midwife fund. You're starting to do this ahead of time. I do this with houses, all kinds of things. Pretend you're living that life. Start funding it. Then when it comes, it's not going to be a shock.

[0:35:16]

FT: Right. I love that. I love that. It's so brilliant. In dual income households, or even if you've got three side hustles, compartmentalize one of those revenue streams and just put it off to the side, label it as the baby fund. Or, my brother and his wife, they want to buy a home at some point. They are banking his wife's, my sister-in-law's income. They're just making ends meet on my brother's income for now. It's temporary. I say to couples, just try for a month, monthly cycle. See how you do.

I've also heard of couples buying short-term disability insurance, which sounds so sad. If you have a career and you're working for an employer and you want to stay there, and unfortunately, everything checks, except for their family leave policy. We don't have paid family leave in America. Many companies offer this. I think some states are, is it Oregon?

[0:36:15]

GLH: Yup. Oregon has a statewide family leave policy that is paid. It's wildly progressive.

[0:36:22]

FT: Wow. I think New York is going to implement one soon, if it hasn't already. There's change a foot. If you really want to stay with your employer and it's just not flexible, short-term disability, you got to get that now.

[0:36:37]

GLH: Yeah, exactly.

[0:36:39]

FT: What it can afford you is more time off, at home with your child, and you get a replacement, not full, but maybe 60%, 70% of your income.

[0:36:47]

GLH: Exactly. Yeah. I would also say, if you're an employer – as a small business owner, I can't pay for the full parental leave that we offer. But we do have a short-term disability policy, which we included in there, because I was like, I need to help with this. Now, Oregon has now stepped in and is available to backfill, which is amazing as a small business. It's wildly impactful for diversity in the workforce. Go talk to your HR. Go talk to the person who owns the company and be like, "Hey, it's not that expensive to add a short-term disability policy." Because it's really not. I think, it costs me $80, $90 a month to comp my whole team. It's really not very expensive.

[0:37:26]

FT: It's so worth it when you think about, if you know too that you're going to execute on it. Very seldom do we actually know if we're going to use the insurance, besides maybe health insurance. But short-term, if you know, in a year, this is going to come in very handy and give you thousands of dollars a month, paying $80 now a month.

[0:37:45]

GLH: Exactly.

[0:37:45]

FT: So worth it.

[0:37:47]

GLH: Yeah.

[0:37:49]

FT: You're right. A lot of companies already offer that. You may not have to go very far to get into that. What else do I want to say? Yeah, stay tuned, because I've got this huge – I've got so many interviews banked on this.

[0:38:02]

GLH: So interesting.

[0:38:03]

FT: I'm learning so much about all the creative ways that families and households are making do.

[0:38:10]

GLH: Yeah. Well, and I come from the queer community, and there's a lot of just alternative family building happening. I have friends who are co-parents of a foster child and a toddler and an infant, and there's four co-parents taking care of that. Let me tell you, that makes it both financially and time the greatest resource of that.

[0:38:29]

FT: Wow.

[0:38:30]

GLH: Very impactful, and these kids are getting amazing rearing from all these wild, interesting people.

[0:38:37]

FT: I was listening to a podcast recently, and this was an Australian podcast. But in Australia, they also deal with the exorbitant price of childcare. The woman on the show was saying how, when she had her – one of her children, it was also coincidental that her eldest niece, who was in her 20s, needed housing. I think this is two birds, one stone. If you've got a Millennial, or a Gen Zer in your life who wants to save and be fiscally responsible and you've got the space, and this isn't like, you need to have a big house. Do you have a, I don't know, a spare basement, or below? It could be temporary, too. It could just be for the summer, when school is out for them to come live with you. It's not as though they're going to – You could make it formal, but you could also be very informal, because just another set of hands in the house, a grown-up to watch the kids, so you can go take a shower, go to the market, go to a doctor appointment –

[0:39:37]

GLH: Wildly valuable.

[0:39:38]

FT: - whatever, it is invaluable. Again, you're saving money, you're gaining back time and your Millennial relative, or friend of a friend is getting a head start in their financial life.

[0:39:50]

GLH: Exactly. One last thing I want to say here is, please don't forget to budget for self-care.

[0:39:56]

FT: Yes. Oh, for sure.

[0:39:57]

GLH: Because this is hard work raising these little humans, those lucky things. Also, self-care can mean, if you are co-parenting, or you are in a relationship having a child, date night and couples therapy, and sometimes parenting coaching are really important to making your life far more pleasant. Because it's a big life change again. It's a huge transition. We very strongly recommend that there be at least a monthly date night, and maybe you're trading with another couple to take care of their kid to pay for it. It's very easy to get into the baby zone, but and they're wonderful and charming and lovely. Also, you want to have a strong relationship through this, and remembering that you are having a child with this person, because you love them and you want to be in a relationship with them, too. I think it's really important, because divorce is really expensive. Invest in your relationship.

[0:40:56]

FT: Yes, yes. Maybe that's another topic. Come back and talk about.

[0:41:00]

GLH: Yeah. I love that topic.

[0:41:01]

FT: Breakups. Georgia Lee, thank you so much, my friend.

[0:41:05]

GLH: Always.

[0:41:06]

FT: This was a fantastic episode. I can't wait to release it. Everyone listening, thank you for your questions. I hope your weekend is so money.

[END]