

EPISODE 1748

[0:00:00] FT: So Money, Episode 1748. 'Friends with Money: Top Strategies for Navigating Wealth Gaps without Awkwardness'.

[INTRODUCTION]

[0:00:09] 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.

"[0:00:37] KW: The conversation might be a little bit awkward depending on what it's about. If you can't afford to take a vacation, you can't afford to be a bridesmaid in their wedding, whatever it is, it might be a difficult conversation to have. But once you get past that initial difficulty and that initial awkwardness, how your friend responds to that is going to be a huge tell in where the relationship goes from there. Ideally, it goes in a good direction."

[INTERVIEW]

[0:01:00] FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. When I was a little girl, my family was very much on the rise financially. My dad was an academic, and when he graduated and got his PhD, his income slowly grew over the years as he transitioned jobs and got promoted. Our quality of life would always improve. We would move to better neighborhoods and nicer house, all the things. So, we always felt, I always felt like we had more than enough, and it was always fun to see where the family would go next.

Cut to about I'm nine, ten years old, and my parents make friends with these folks who are wildly rich. I'm talking lavish vacations, Mercedes-Benzes, a house with a pool. I mean, I was just happy to have a second bathroom in our house. I was so happy about that. Being with these folks, it was fun sometimes. We'd go on some crazy vacations. My parents, I know we're

having a good time. Lots of bottles of wine and dinner. This family was always very generous, would often comp us, would often pay for our trips and pay for our meals.

As I look back, I think my parents had a sense of obligation to this family that was rooted in all the times that they would treat us. So, when they would ask my parents for favors or help, for various household things or tasks, at one point we were all living in close proximity, my parents would drop everything and help them. Even if it meant rerouting their day, rescheduling their appointments. There was this tension that even as a kid, I noticed it. As we'll learn in this conversation today with our guest, financial friction in friendships is a real thing. Especially if one friend or friend group earns more or earns less and suddenly things you do together and enjoy together become more challenging.

Wealth differences can sometimes create invisible lines that complicate what should be enjoyable moments and lead to feelings of envy, guilt or imbalance. Today we're diving into this conundrum with someone who has tackled this topic recently. Kristin Wong is an award-winning journalist and author. She's explored the subtle, often unspoken ways that wealth gaps can impact friendships.

A recent article in the New York Times uncovers the nuances of these situations, as well as how friends navigate the social and emotional dynamics of financial imbalance. We'll hear about some of the scenarios and interviews that didn't make the New York Times article, but Kristin's got the scoop. Here's Kristin Wong.

Kristin Wong, welcome back to So Money. It's been a minute, but I'm always following your work and I'm excited to have you back to talk about your recent New York Times piece on friends and money and the complexities that ensue. Welcome. Welcome, my friend.

[0:03:44] KW: Thank you. Thanks for having me back.

[0:03:46] FT: Let's first reintroduce you to our audience. For those who may not have been listening for a very long time, Kristin, you're no stranger to So Money, but tell us a little bit about the lens through which you like to explore personal finance stories. I think I was describing you to a friend this morning as I was saying, "I'm going to interview Kristin." I said, "She just loves to

get into the complexities and messiness of money sometimes and untangle it for readers.” I think that's an important job. You like to get it to the layers of financial, personal finance.

[0:04:21] KW: Yeah. I'm very interested in the psychology of money. So, a lot of my work has actually shifted more to writing about social science in recent years, but I'm still very fascinated. It comes back to money often because, I don't know, there's such a rich topic-wise when it comes to psychology and money. There's just a lot there to unpack.

[0:04:42] FT: Yeah. Recently, for the New York Times where you write you unpacked friendship and money, and specifically when you have disparate financial lives where one friend either earns more or just has a higher net worth, and the other friend is not quite there. The challenges that come about. How did this story come about for you?

[0:05:05] KW: I think it's just how any story along those lines comes about where it's like I noticed something happening either within my own friend group or I'll find this – I'm like I come across a Reddit thread where somebody's talking about something and I'm like, “That's an interesting problem to solve. Maybe I should write about this.” I don't know exactly. I think I had this story idea for a while and I pitched it and it went over well.

I think it's just something that's very ubiquitous. We deal with it all the time, like all of us have issues that come up with this often. Whether it's like how to split the check at dinner, or if it's like a larger issue, or it's like lending money to friends and how do you navigate that. But I think it's just something that's pretty common.

[0:05:52] FT: Yeah. I was talking to Lindsey Stanberry. We are both friends with her. She is the creator of *The Purse*, longtime journalist. She said something that I think was really resonant where she's like, “You know you have that friend and you've been friends for a while. You think you're on the same financial wavelength. You've been going to the same restaurants together. Maybe you've even gone on vacation together. You seem to have the same financial capabilities, and then all of a sudden, they buy \$3 million town home and you're like, where did that come from?”

I've had that – it happened to me and my husband will be friends with these with this couple. Then they're like, “Yeah, we're looking for – we're house hunting. We're renting and we're house hunting.” This is the same couple that I'm going off track here, but this is where – I love this. This is the couple, same couple who invites us to a birthday party for their kid and orders Domino's pizza, because they said it's too expensive to buy all these boxes of pizza from the fancy Italian place down the street. They're like, “We're just going to do Domino's. They're three years old. It's fine.” I'm like, “Yeah, that's sensible.” Then the next week, they bought like a \$5 million town home.

Anyway, just a small story there. What makes this so relatable is that you're right, like we've all experienced this at some point, whether it's in college or high school, when you feel like a friend has more financial resources, they go on nicer vacations. They have their parents credit card. They're spending without a budget. Then as you get older and you choose your profession, that alone can determine your trajectories.

The title of your article is called, Your Friend Has More Money Than You Do. How Can Your Relationship Survive? It implies in the title that this is fraught. This is going to be difficult to navigate. Why did you go in with that assumption or maybe I'm just reading into the title?

[0:07:43] KW: No, I think you're right. It is fraught. I think it's a difficult thing to navigate. A lot of times when friends have falling out, it's often because of money. I mean, it can be about anything, but yeah, money just makes things a lot stickier. Money is as you've talked about and So Money is like a taboo topic. It's hard to even bring it up. It's hard to know how to talk about it. I think it's hard for people to know how to deal with it themselves, much less bring somebody else into the mix and then figure out how to navigate issues that come up with their friends, you know.

This interview didn't make it into the final piece, just because of the word count issue, but I had interviewed somebody who did have issues with friends. I think her issue was that her friends assumed that she made a lot of money, that she made more money than they did, and they were always like expecting her to pay for things, because of this assumption. Yeah, I think there are a lot of examples like that that people probably have experience with.

[0:08:49] FT: Yeah. You interviewed Aja Evans, who is the author of *Feel-Good Finance* and a financial therapist. She's been on So Money multiple times, love her perspective. She really got to the root of the psychology of this. It's like, why is there discomfort? Why is there an unsettling feeling when you have a friend who makes more? She said, it's a largely due to the fact that we associate net worth with self-worth, and we conflate someone's salary with who they are and the measure of who they are as a person, like they're a better person, a smarter person.

That's something that has nothing to do with the friendship, or even the person who's wealthier than you. That's a you thing. How do you how do you check yourself in those moments? How do you know when the discomfort that you're feeling with your friend is actually a you thing and not a them thing, even though they may be the ones who are making more and spending in ways that you just can't?

[0:09:48] KW: Man, that's such a good question.

[0:09:50] FT: What do you do about it? Like do you say something to your friend? Like, hey, I feel uncomfortable or I don't know. How do you find the communication piece around this is really the challenge?

[0:10:00] KW: Yeah. I guess that is really the challenge. I think it's also just like any uncomfortable emotion that comes up, the thing that you can do to get to that place where like, is this a valid feeling that I'm having or am I like kind of upset with my friend and it's not their fault? I think the one thing you can do is just think about the feeling and like process it and ask yourself questions, like why am I feeling this way? What's it bringing up for me? What does it remind me? Are there other memories in my past that are getting triggered by this feeling?

I think you can do that, but to your point I do think a big part of it is the communication piece. That's the hard part, right? Because we just talked about how money is kind of a taboo topic. It's hard to know how to talk about it. But I think it's one way you can look at it is like, it's going to be an awkward conversation, like if you're going to bring something up to your friend like maybe they haven't paid you enough for the Airbnb you rented together. It's very awkward to bring that up and say, "Hey, you owe money. Can you give me money?" That's just an awkward thing to bring up.

The way that I think an interesting way to frame this is, you know it's an opportunity to deepen your friendship with someone. Yeah, the conversation might be a little bit awkward depending on what it's about. If you can't afford to take a vacation, you can't afford to be a bridesmaid in their wedding, whatever it is, it might be a difficult conversation to have. But once you get past that initial difficulty and that initial awkwardness, how your friend responds to that is going to be a huge tell in where the relationship goes from there. Ideally, it goes in a good direction. I think just bringing it up in the first place is, yeah, just be direct about it.

Anna Goldfarb, who is a writer. She wrote a book called *Modern Friendship*. I interviewed her in this piece also, and she gave some great advice where she said to – if you have to turn somebody down or tell them, no, I can't afford to attend your wedding. Give them some kind of consolation, like some kind of a backup, what can you do? Can you take them to a really nice dinner or spend the weekend with them somewhere? I think those are kind of – yeah, there are tips that you can do. There's like ways that you can go about this in a kind, strategic way, I guess.

[0:12:12] FT: And honest.

[0:12:12] KW: And honest, yeah.

[0:12:13] FT: I think we're in a culture now, I think 10 years ago, this may have been even harder, but I do – what do you think about our culture today? I do think that things like loud budgeting and social media has actually given a lot of the younger folks permission slip to go, okay, no, like I can't. I got to be protective. We're talking more about money these days. We have more financial educators supporting people from whatever your flavor of financial expert is. She's out there. He is out there.

I think that has helped us give us the vocabulary and also the permission to speak up about our financial goals, whether that's in the context of a friendship where there is disparate financial goals or financial means, or you're just in a normal relationship with your partner and you want to express your values and whatever the context is, but I do think it's a little easier now than ever to have these talks.

[0:13:12] KW: I do too. I think there are probably economic issues at play that make it easier, like income inequality is just more of a topic now than is increasingly more of a topic.

[0:13:21] FT: The wealth gap, right.

[0:13:23] KW: Yeah. People are ready to talk about it, I think. At least in my experience, when I have a friend that – when I bring it up with a friend for the first time, there's usually like the sense of relief that comes from bringing it up, like I have a new friend that I'm doing stuff with lately, and the issue of money has come up where I can't afford to do certain things that maybe she wants to do. I've just said that like, “Oh, we're really on a tight budget. I have a kid going to preschool. It's a little tighter out here.” She seems almost like a sense of relief to like be able to say that. Then it was really nice, because then she's now very aware, like when we do things together. She's like very aware of suggesting things that are maybe a little bit more budget friendly, you know. So, I think be direct and people seem to respond well to that.

[0:14:12] FT: In a moment, I want to ask you about some of the things that I grapple with when it comes to income disparities with friends. So, I'm going to get personal and ask you to assess. Then you interview two friends whose wealth gap has endured many years, like 20 years of one friend continuing to earn more than the other. We're going to get into that relationship and you're going to tell us why it has been successful. But first, let's take a commercial break.

Something that came up in your story and I can relate to this is when you are the friend who makes more. There is this – in some cases, not in all cases, but I have been in this place where I feel like, well, I'll just pay for it or I won't even ask them if they want to go to this thing. I'll just say, “Hey, my treat. Let's go to this XYZ place.” But I think there's a fine line between being a nice friend who's generous and then being someone who is presumptuous and thinks that this person cannot afford or would not afford what you want to afford.

I always want to make sure that I'm never making the other person feel “less than” or like I am trying to insert myself into their financial life or make assumptions. So, this is what's all, this is all the thought bubbles going on in my head. I think that there is also a fine line of that friend who's extending their generosity feeling like I don't want to get taken advantage of either, because I've

heard this too from women who make more than – it's always the women who make more than their women friends are like, yeah, everyone just assumes that I'm going to like pick up the tab, because I have the big job in finance or whatever. It's such a delicate balance. I just wonder if you had any interviews that talked about that and or like have any thoughts on that.

[0:16:03] KW: Yeah. That's so interesting. I did and I there were a lot of people that I actually interviewed for this piece and then the interview didn't make the cut again for –

[0:16:12] FT: That's why we're here on So Money talking about that.

[0:16:14] KW: That's what we're talking about here. Yeah. But I did interview somebody who – and he was actually a man who had this issue, because he had grown up with a lot of – he had grown up with a lot of people who they cut – they earned the same amount of money and then he started a business and the business really took off. Everybody found out about it, because I think it would made – he was like in business insider and they covered it. So, like his friends started expecting him to pay for everything.

I think he told me that he just – the friends that he was close to that he felt comfortable saying so, he could just tell them like, “I'm going to set a boundary with you. I'm not going to pay for this or I'm going to expect you to pitch in with this.” Then when friends didn't respond well to that. Like I think he had to distance himself from that a little bit. Sometimes that just happens. But sometimes I think it's also that people, I try to give people the benefit of the doubt, you know. Sometimes people might not realize they're taking advantage.

If you are so quick to grab the bill or you're throwing money down extra money that you don't need to throw down just to be safe and be like cover them, they might not even be thinking about it. They might not be like aware that you're doing that kind of stuff. Again, I think if you start feeling like you're in that place where you're being taken advantage of and it's getting really bad, you can pull back. There are ways that you can just pull back or you can just be direct and have the awkward conversation with the friend and say something like, “Hey, I've noticed that like I'm usually one throwing down the credit card for the meal. Yeah, I don't know how I feel about that. What do you think?” I don't know. There are ways that I think you can go about the conversation. They don't have to be confrontational, but can still be direct.

[0:18:00] FT: Yeah. You interviewed two women friends and how they've navigated the growing difference in their incomes over the years. I think they've been friends. I think you said like 20 years, something like that. Part of, I think, what helps them evolve as friends is that they have history and they also share a lot of similar values. For newer friends, it's probably a little bit trickier, right? We're quick to maybe judge. We're quick to give up on the friendship, especially if we arrive already with disparate income. Whereas I think these two friends, the gap grew over the years and maybe they started out more or less on the same plane.

I mean, in your 20s like, you know, maybe you're making a little bit more than your friends, but you're still early in your career. Everyone's struggling. You got maybe someone's making more, but they have student loan debt. It's like some level playing field and then maybe things change. I just wonder, do you think there's a difference? Is it harder for friends that are a little bit newer? There's already this existing wealth gap? We tend to go with the herd. Sometimes that means we go with the financial herd. It's like, the friends who, it's just easier. It's easier to hang out with friends that are making your roughly around the same amount of money or have the same means.

[0:19:22] KW: Yeah. There was a study that came out recently that touched on this and it found that when you, gosh, they had a term for it. It was like cross – not cross cultural, but like – anyway, when you are friends with people in a different economic bracket than you, like its upward mobility becomes much easier, but that's very rare, like it's mostly exactly, as you said. We tend to hang out with the people who are similar socioeconomic background to us, but they found like that one of the big drivers of leveling the playing field for people was cross whatever they called it. Gosh, I wish I could give the word for it.

It was like, but basically coming together across income gaps. So, I thought that was really interesting, but I do think it's hard when you're first starting out in a friendship and that there's a big wealth gap. It's, yeah, of course it's going to be hard if you don't – if the friendship is new and fresh to like navigate that, but that's probably true for like anything that comes up in a friendship.

The thing that the two women I interviewed in that piece, Hilah and Natalie said that made their friendship work was that they had shared values when it comes to money. I think that's a really big part of it. They both believe that your net worth is not your self-worth. That money is just a number. You said this earlier about how people just make different choices. Those choices sometimes can earn you more money. Choices in what they decide to do with their career. They can make you more or less money.

I think you can't figure out if you have shared values with someone until you – I don't know, have those sticky conversations with them, you know. It's hard to deepen a friendship if you're not going to talk about things that are on your mind. Maybe it all goes back to if you want a deep friendship with somebody and a meaningful friendship with somebody. Ideally that friendship would survive any kind of wealth gap. You have to have those sticky conversations.

[0:21:20] FT: Did you ever watch the movie, *Friends with Money*?

[0:21:23] KW: No, I have not.

[0:21:24] FT: Oh. You have to watch that. I would think that would have been like research for your New York Times piece.

[0:21:28] KW: I know.

[0:21:28] FT: It's Jennifer Aniston and it's about these four friends in LA. You're going to love this movie. They are all are from different economic backgrounds.

[0:21:37] KW: I think we're always looking for ways to figure out how people are dealing with their money too, you know? So, you see a friend making choices that you wouldn't make with your money and you try to come to conclusions about how they value money. Sometimes those conclusions are dead wrong.

[0:21:53] FT: Yeah. I mean, look at Anna Delvey. That's another –

[0:21:55] KW: Totally.

[0:21:59] FT: – case, right? Was it the faux heiress or whatever? She went to jail, but she defrauded a lot of people, pretended that she was rich. In that portrayal wearing the designer clothes and acting like she was rich. Also, treating a lot of her friends to these lavish dinners. The friends were having a great time taking them on vacations and trips. I think that we can also be falsely misled by the friends who seem to be rich or are rich. We think like this is going to be a better-quality friendship. What are some of the misperceptions you think that people have about friends with money?

[0:22:35] KW: People probably have a lot of different kinds of assumptions they make about friends who might have money. It maybe just depends on who you are. It's easy to assume they know what they're doing. They have their shit together. They must be making some good choices in their life. That's not always the case. But I think it's also very easy, at least for me to villainize as a strong word, but to kind of, I don't know, think that somebody who has a lot of money doesn't share the same values as I do or something like that, you know.

[0:23:10] FT: Right. That's a good point.

[0:23:13] KW: Yeah. That they must be kind of greedy, or money hungry, or very driven by their career and capitalism. They don't really – they're not like me. They don't value the same things that I do, because they're so driven by money. That's also just not true. I'm not saying I actively consciously believe that, but I think sometimes that stuff seeps into our subconscious and we make judgments about people that aren't necessarily true.

[0:23:40] FT: Yeah. It sounds like for the relationship, the friendship to work, I'm hearing that it requires a lot of honesty. Releasing ourselves of certain assumptions that we are grown up to believe. I mean, it's hard, right? These are hard things to overcome. We tend to personify what money is like, we give it so much power. It's like, it's just money. At the end of the day, we're all people. That's the most important thing and money doesn't change who we are, necessarily, but it can like amplify who we are.

[0:24:13] KW: Yeah.

[0:24:14] FT: It sounds like you're also saying what you've learned from your reporting is that the values is really what ties the friends together and you can have shared values, even though you might have different paychecks.

[0:24:24] KW: Yeah.

[0:24:25] FT: So, Kristin, were there are other factors at play in these friendships that just made the financial dynamics more complex, whether it's like one friend has more privilege, one friend has just lived a life experiencing more discrimination, bias?

[0:24:40] KW: Yeah. You know when I talked to Aja Evan, she brought up this topic that when there's some wealth disparity, financial disparity in the friendship, it can point to larger social issues that might be driving that disparity. For example, if you are somebody who identifies as non-binary or your trans, you might have added struggles that your cisgender friends might not see, whether that's fitting into a traditional workplace just facing everyday discrimination from a landlord or something like that. From your friend's perspective, they might see the playing field as being completely level. They might not see these added challenges that exist for you.

[0:25:23] FT: My friend who was like, "Well, I mean, working in finance is just your choice. If you want to make a lot of money, you just choose to work in finance." I'm like, "That's not so straightforward for everybody." Not everyone can choose to work in finance. I know people who really, really wanted to and then did, but then eventually left, because they did not feel welcome for a variety of reasons. It's not, yeah, I think if that was my friend. I think we would have a debate. It can be a healthy debate, but it would still be something to bring up. Where are you looking to explore next when it comes to psychology and money? Are you working on anything good right now?

[0:26:07] KW: Yeah. Thank you. I am, I do have a newsletter that I write semi regularly called Untranslatable. It covers a lot of these topics. It's kind of a personal newsletter, but its social science focused. I think it covers a lot of the topics that we all, and the questions we all struggle with.

[0:26:25] FT: All right. We'll make sure to put that link in our show notes. I'll continue following your work and I love all your stuff. Thank you for coming on and giving us some insights. Also, some strategies for how to navigate wealth gaps in your friendship.

[0:26:40] KW: Yeah. Thanks so much. Thanks for having me.

[OUTRO]

[0:26:44] FT: Thanks to Kristin for joining us. I'll provide a link to her New York Times article in our show notes as well as Kristin's Substack. I'll see you back here on Friday. We'll be joined by wealth manager and all-around good person, Georgia Lee Hussey. We'll be talking more about the outcome of this year's election and what it could mean for our wallets. I hope your day is so money.

[END]