

EPISODE 182

[ASK FARNOOSH]

[00:00:30]

FT: Hey everyone. Welcome back to So Money, Ask Farnoosh edition. I am your lucky host, Farnoosh Torabi. Lucky because I have to say, this podcast since starting it six months ago, has done really well. I'm really, I've blown away my own expectations of just how this would perform. I'm not monetizing the podcast yet, but you know what? I kinda like that. I'm lucky that I'm able to just do this podcast and not have to depend on having a sponsor yet, and lucky that my listeners, you, don't have to listen to [Chuckles] some kind of sponsorship in the beginning, middle or the end, or all three. Not to say that we aren't in a position to be able to monetize, but I'm trying to just kind of see how long I can go without getting a sponsor. And I think, I learn from John Lee Dumas, who's the founder and host of Entrepreneur On Fire and he's taught me that you wanna kinda wait as long as you can, you wanna hold out for that sponsor, get to a point where you have so many listens, so many downloads, so many followers, that you can be really, really selective about your sponsor, and also you'll make more money because at that point you'll have more.

So good things come to those who wait, who are patient, who build momentum, and so I'm not saying that that is not in my future or our future, a sponsor, but for now I feel really like in a good place. That the show is growing, every month we're growing, we're expanding the type of guests that we get. Someone told me the other day that I should get 50 Cent on the show, and do you know what? I'm gonna go after him! I have now his publicists information, I know that he's on some sort of a media, you know, he's doing a lot of media. He was in the New York Times recently, he's excellent. Like I don't know if a lot of you know about 50, "Fiddy", but he's quite the renaissance man, he's very entrepreneurial, he's very good with his money, and he came from nothing. So for all those reasons I would love to have him on the show and I think it would just kind of take us to a whole other level of guests, which would be really fun and cool and exciting for the show!

Anyway, I digress. Just a little insider, you know, what's going on behind the scenes here at So Money. And today I'm recording this in the bedroom of my sublet apartment. As many of you know, as I've been talking about, we are undergoing renovations at our main apartment across the street, and so temporarily we need temporary digs. And the New York Times actually wrote about this a couple weekends ago in the Sunday section talking about New Yorkers who get displaced because their homes undergo renovation, where do they live? They should've interviewed me! Cause I would've had a lot to say. It's been quite a journey and we're probably gonna have to move somewhere else soon because the renovation's taking longer, and this sublet ends before that will end. So yeah! I'm gonna be a nomadic resident of New York City, just going around trying to find a place to live. If you've got a place to live for me, let me know! Seriously! In New York, in Brooklyn, I'm gonna be looking soon.

So just a little update on me, and the who, and now without further ado, let's get to the questions. As I promised, we were gonna spend some more time on Ask Farnoosh this weekend because last weekend I ran reruns in honor of Independence Day and to just have a break for all of us, and so that meant I got a little bit of a backup [Chuckles] with my Ask Farnoosh questions. It's all good. So I answered several questions yesterday, I've got still a lot more today, so without further ado, let's kick it off.

[00:04:19]

Let's start with Erin. Erin says:

E: "Hey Farnoosh. I'm a proud Auntie of a 4 and 7 year old. No kids of my own. I would like to contribute to college savings for my nieces. What's the best way for me to save up for them considering I'm not a parent? Savings bonds? Investing in something secure? Savings account? Would love your thoughts."

[00:04:40]

FT: Well Erin, it sounds like you don't know this, but it's a little maybe lesser known fact that you can as a relative, and even as a friend, as a grandparent, as just a loved one, open up a 529 college savings plan for a beneficiary, in this case your nieces, and parents are not the only

ones who can open these up. I'm a fan of the 529, I have one for Evan. I invest in the New York Plan, it's excellent in terms of tax benefits and the historical rates of return have been really, really impressive. If you go to a site like Choosetosave.or - I'm sorry, that's wrong! Go to Savingforcollege.com. I get my websites mixed up. Savingforcollege.com. You can learn more about the 529 as well as other ways to save for college, but they have very good material on the 529, also they've got really interesting glimpses on how the different states' 529 plans work and how they've performed over the last I guess 5 years, 10 years, 20 years, you can kind of choose your historical dates.

But you know, I think that this could be something great for you because it gives you the tax benefits and you can invest for your nieces. And by the way, if you don't live in New York or let's say you wanna invest in the New York Plan and you don't live in New York. It's okay, you can. It's not, you're not excluded because you're not a resident here or any other state that you wanna invest in their plan. So go to Savingforcollege.com, there you'll get tons more information than you will on this particular episode about the 529. But I trust that site, it's great, and that might be a great way. I mean, the other way you can do it is just save for them on your own, but you won't get, you know, with the 529 it's like you're investing your money in an investment. So it'll be more aggressive, you'll get a better chance of compounding interest, and so that's what I would do if I had some cool nieces or nephews.

[00:06:54]

Julia asks:

J: “How do I select the right money team for my brand new coaching business? Even though I'm not rolling in the dough, yet, I'd like to make sure I'm properly set up going forward. Who do I hire, what type of questions should I ask, and when is the right time to start doing these things?”

[00:07:12]

FT: Well, I would say the sooner the better. Start interviewing people, start by asking for recommendations, other coaches that you know, other people in your space, other freelancers,

other self-employed friends. The most important thing that your team members - and I would say this is maybe a financial planner, a bookkeeper, an accountant - that their credentialed, they're experienced, they have good track record meaning there are no complaints you can find online, no lawsuits. Ask them for clients of theirs that you can talk to candidly about their relationship, and really it's important that you like them and that you trust them. I have fired an accountant in the past because I didn't trust him. It probably took me longer than it should've, but he was a little too messy with my taxes and I, we had to amend things and he was just like not fun to be around. He was rude and so I was recommended to work with him through a trusted source, who's still working with him, and I decided you know what? I'm gonna just stop. I'm gonna cut my losses, whatever they - I didn't really consider it cutting my losses cause it really was hard to fire him.

So I should've done more research, I should've just trusted my gut in the beginning and not gone with him. But it's a lot easier to not start working with someone than to begin working with someone and realize, "Oh my gosh, I can't." And then try to fire them, it get's to become, it can be very stressful. So take time. You're saying you're not very lucrative right now, okay so just take the time now to talk to people, interview people, get educated so that you can make educated choices in your hiring. And really important that they understand your industry. So that's why I say ask around, talk to other people you might know, maybe there's an association for people like you, like coaches like you. So ask those people who do they use and who do they hire to help them with their financial dealings and their taxes and their statements and things like that.

So really important that they know your industry so that they know how to look out for you and they know what questions to ask you and they know what things you wanna be keeping in mind as you are managing your paperwork and charging up things. And also ask them about their fees. Be really, really candid, flat out within the first, not the first question, but maybe like before you leave for sure have that. They should expect you to ask that. People ask me, "How do I ask my financial advisor, that I'm considering hiring, how much she costs?" Well, ask! It's like you're at a furniture store, you wanna know how much the couch is, you ask the sales lady. This is just part and parcel of the business. This is just what happens.

So don't be ashamed, or intimidated, or embarrassed to talk money, especially when you're talking to people how's life and work and business surrounds money and helping people with their money. Don't be shy about that. Good luck Julia.

[00:10:27]

Alright, let's move on here to Carol. She says:

C: “Hey Farnoosh. I'm 35 years old and make \$30,000 a year. I have \$8,600 in a Vanguard Roth IRA that I opened 10 years ago. I only contribute \$50 per month. I have \$7,000 in credit card debt, which I'm paying off \$700 a month. My debt keeps me up at night, but also my financial future. I would like to begin contributing more to my Roth, but don't know if this is the right choice. My job doesn't offer a 401(k). Please help! Should I move the little money I have elsewhere? What percentage of my pay should go towards retirement and vacation? I want to get my financial life in order.”

[00:11:08]

FT: Alright, Carol. Two big pieces of advice for you. The first is that I wouldn't necessarily take that \$50 and put it towards the debt. I love that you're taking down that debt aggressively. \$700 a month, good for you! You're gonna be debt free in probably, what? Like 10 months? Cause you said \$7,000 in credit card debt. So in 10 months you'll be debt free and I think that I would rather see you continue to put that \$50 toward the Roth if you are still eligible to do so. That interest will compound and so the sooner you start saving there, and the more the better, then when your debt is gone, I would say imagine that it's still there in some ways in the sense that you still have to do something with that \$700 every month. And this point it's not going to go towards the debt, but it could go towards retirement and that's how you can really kick up the retirement. \$700 a month, that's gonna mean more than you're allowed to invest in a Roth annually, you can only do \$5,500, so whatever's left of that \$700 over the course of a year you'll have \$8,400.

So the extra, say \$2,500 that you have, maybe you put that in an emergency savings account. You put that in an account to where you're hoping to save up to buy a house or go on that

vacation or you might realize, "I need more for retirement actually. \$5,500 a year doesn't cut it for me." So you might wanna open up a taxable account or ask your job about retirement benefits because this is the thing. A lot of companies are getting away with not giving their employees the benefits they deserve. If you are a contractor at a company and you've been working there for more than I dunno, a year or two, they can no longer employ you, or they have to give you benefits. This is what I understand. You know, I worked at Yahoo for many years and I watched them have to lay people off because the IRS cracked down and said, "You can't just have contractors all the time, every year, for as long as you want. Like that's not fair to your employees, you're trying to work the system," so they had to lay people off. And they kept some people that they wanted to keep, and gave them salaried positions with benefits.

So I'm very curious and suspicious when people write in and say, "My employer where I work all the time, 40 hours a week, for a long time, they don't offer me benefits." I have a salaried employee now, it's been a month and my accountant just made me aware of the fact that I need to have some sort of pension for her or 401(k)-like investment for her after a year. That's the rule, as far as I've been told. If I'm wrong, let me know, I would be very interested to learn. But this is what my accountant's told me and so I don't know. I mean I wanna see a day where your employers offer you something for retirement. If not, then maybe you have to go through a taxable account. Once you max out the Roth IRA, you can't also max out an individual retirement account too, a traditional retirement account. So that's what I would say.

But I like that you're doing \$700 a month towards the debt. Once it's gone, take that money, put it towards retirement. Take the extra money, put it towards something else that you wanna save up for and I would say, \$30,000 a year, I dunno where you live? Maybe that's enough? You could not live on that in New York, comfortably, especially with debt and wanting to build a financial life. So if you're finding that at the end of the day after paying for all of your bills and debt and savings and this and that that you're still, that money's still tight, you might wanna look at increasing your income. Whether that means changing jobs, or maybe easier, finding a job online that will pay you an extra \$50 to \$100 a week. Whether it's, I dunno what your expertise is, but it could be copywriting, it could be running errands, it could be babysitting, it could be petsitting. It's not like sophisticated work necessarily, but it's money that you don't have right now that will be very helpful for you in establishing a more abundant life for yourself, okay?

So Carol, you're on a good track. Thanks for your question, I'm gonna move on now cause I realize I'm taking too much time here with the questions. I wanna really get to everybody's as much as I can.

[00:15:47]

Shamil asks:

S: "My kids have \$20,000 in a 529. I don't want them going to Harvard and graduating with thousands of debt. Irrespective of the college that they attend, if they work hard they will get in somewhere.

FT: I believe that's true.

[00:16:01]

S: "Example is my wife and I. We graduated from a small college with no debt and with good starting salaries. Just as we did, I want them to use 2 year colleges, technical colleges, and scholarships to pay for a majority of their education. Question is how much is enough in a 529? Should I keep putting money in so that my grandkids can tap in to it when it's time?"

[00:16:22]

FT: Wow. Shamil, that would be a lot of money! [Chuckles] I know you don't wanna foot all of your child's college education, but if you're looking at grandchildren too, like that's gonna be six figures if you want all of those kids involved. And what if your kids don't have grandkids of their own? I mean I hope they do, if that's what they want, but you can't think that far ahead. How much is enough? I mean it sounds like you're not really interested in affording the whole shebang for your kids, that maybe you wanna provide a fraction? 20%? Half? And so I would say extrapolate. Find out how much college is gonna cost for your kids depending on which type of school they attend. Finaid.org is a great site for calculators, and so use those calculators, decide what percentage of that future total for college is gonna cost that you're comfortable tucking away. And really, really important: if you're not a parent that wants to spend all, you don't

wanna pay for your kids tuition entirely, just because like the principle of it. You might have it, but you just don't want to? Or maybe you don't have the money? You gotta tell them.

Don't wait till their senior year in high school to say, "Junior, we don't have the money." Or, "We can only afford \$20,000 for you to go to college," because it's really important to get them in on the conversation, to get them thinking themselves about how they can afford college too. How can they, from now until they start applying to school and go to school, bring in some money? Whether it's getting summer jobs, working during the school year, getting acquainted with all the scholarship applications that they may wanna apply for and what are the qualifications, the requirements so they can start working towards those scholarships to increase their chances of qualifying. So don't wait. My parents did that and they told me my senior year after I had gotten into some nice schools, that they didn't have the money, and they didn't want me to go into debt, so I went to Penn State, and I really resented them for it in the beginning.

Course now I'm bowing to them because it was the best decision I made financially, and for a lot of other reasons. I met my husband at Penn State! But, so I can't hold this against my parents any longer, but at the time I was really hurt and I was really confused and I was really resentful because I thought, "Look, if they didn't have the money, I wish I had known! Because I would've managed my expectations a lot better, I wouldn't have applied to the schools that I did necessarily, I woulda been more thoughtful about grants and scholarships and working, and this and that. So don't underestimate your kids, they are able to have an intellectual conversation about college and the costs and the investment. So bring them in on what you're thinking so that as a family you can really try to make this affordable and achievable.

[00:19:19]

Kelsie says:

K: "I recently accepted a job just to accept it. I'm unhappy, and I'm housing almost \$20,000 in credit card debt. What should I do to feel like this is all worth it? How do I get out of this rut?"

[00:19:31]

FT: Wow Kelsie. I mean, I think it's really not about the money for you at this point. I mean it is and it isn't. You got \$20,000 in debt so it is, to some extent, about the money. But you're not happy and it's not probably just because of the money. You're living your life not with your priorities, not with your real values, maybe you think you are but you're really not. So you need to do a little bit of soul-searching, like take a step away from the hubbub of your life and just take pause, meditate, reflect, look at how you're spending, look at your environment. Are you happy with your friends? Are you happy with your social life? Are you happy with your lifestyle and if you are not, you can change that. You're the only one who can change that. And think about, "Why am I in \$20,000 worth of credit card debt?" How did you get to this point? What did you buy that you thought you needed to be happy that ultimately is not making you happy? What is driving you to spend?

And this is again unearthing the layers and peeling back the onion and it's, at this point, you need to maybe get some therapy. And that would be a great thing. I would really love to see you get a little bit of therapy. You know, just have someone to kind of walk you through this and have you analyze some things. The good news is, the good news - and there is good news - is that you have faced the reality. You know your truth. You know that you are not happy and you wanna change it. And that's the first, and sometimes the hardest step to really accept this, and now you need to run with this knowledge and know that you are in control of your happiness. If you wanna be happy tomorrow, you can. It's a choice. How do you get out of this rut? You can start with a piece of paper and a pen, and write down the top three goals that you wanna accomplish in the next year. Do a personal goal, a professional goal, and a financial goal. And zero in on these goals. You can even turn this into a vision board, but then you need to take some action steps.

You wanna start small, and maybe think about adding to your life and not subtracting. I've learned this from my guests, they've been in much crazier situations than you. I had a guest on recently, Natalie Jill, she was over a million dollars in debt. She was divorced, she was 100 pounds heavier than where she wanted to be, she was a single mom, and so - but she turned it around. She took simple steps, listened to that podcast, she took on this philosophy of adding to her life, not subtracting. So what does that mean? She started drinking more water, she took baby steps, started to walk around her neighborhood to get some exercise and some fresh air and incorporated some healthier routines into her daily life. She is really inspiring and I think for

you, what can you add to your life? You can join a mastermind group. Gather a group of four to five people who are ambitious and resources and wanna help each other in their careers, and meet once a month. I do this! This is something that's happening across the country. It's really easy, it doesn't cost anything, and it's a lot of help. And it does create happiness.

Maybe you add by working with a headhunter to get you a better job? The bottom line is you don't wanna let your emotions get in the way of doing what you know is right. You know that it's right to be debt free, you know that it's right to be in a job that you enjoy, so make those two things your goal, keep the people in your life that are important to you close, and say bye-bye to everything else for the time period. You have a life to live. You deserve to be happier, and you have the power to turn things around. And really this is just a mindset shift. That's all it is. It's a mindset shift. If you wanna be happier you can. And if you're gonna continue to think that you're in a rut, and you can't get out of it, then you will stay stuck. If you think, "You know what? I deserve this, this isn't healthy, I want more, and I'm willing to work for it," that's how change is created.

So thank you for writing in. I'm really happy that you wrote in because the fact that you're voicing this and you're letting this out is really an important first step and I would love to see you take these next steps. So thank you so much!

[00:23:55]

And we've got a question, well actually it's a statement from Phoebe. She says:

P: "I wrote in a few weeks ago with a question about easing my financial anxiety around going to grad school this fall, but your advice to map out the payments and make a plan was helpful, and I have found that listening to your podcast regularly has been immensely helpful."

[00:24:15]

FT: Oh man, Phoebe, thank you so much. And that was a great way to kind of transition from Kelsie's question, just to show you that when you latch on to something healthy and positive,

like this podcast, like good friends, like a good community, good resources, it really keeps your mental health in check and you can make healthier, better, educated choices.

[00:24:41]

Josh says:

J: “Hey Farnoosh. I'm wondering if you could interview some of the younger 30-something bloggers who seem to be making a ton of money. I'm in my 30's myself and am wondering how they got those jobs making \$10,000 - \$20,000 a month. A blogger that comes to mind is Sherry over at Save Spend Splurge. She seems to be pulling in about \$20,000 a month on average, working 35 hours a week. I'm assuming it's all legit and legal. How is this even possible and how do I get in on it? I'm desperate to know.”

[00:25:10]

FT: [Laughs] Josh, we are on this! My team is gonna reach out to Sherry on your behalf and get her on the podcast cause I too would like to know and that is a good question. So thanks for writing in and sparking my interest.

[00:25:23]

And last but not least, Suzanne says:

S: “Hey Farnoosh. Love the show! I just finished law school and I'm starting a job that offers a 25% 401(k) match on all contributions. I am planning to save 10-12% of my salary and pick low cost index funds. I hear that 401(k) plans typically have high fees on top of the funds' expense ratios. How do I find out the full extent of these fees?”

[00:25:50]

FT: Really easy Suzanne. Call your plan provider for your 401(k) and say, "I would like to have a cost breakdown of all of the fees that are included in my plan. Including the fees that are tacked

on to the actual investments and the fees that you charge for just having access to this 401(k)." So get them to disclose it for you. Sometimes it's just on their websites, but a lot of times you might have to dig a little bit further and call the 1-800 number, talk to a plan provider and just ask them what you've asked me, and they should be able to disclose all of that to you. And if they don't, I would be very surprised. I'd be very, very surprised. And I'd also be very suspicious at that point. Cause this is something that should not be hidden and there are increasingly stricter regulations around fee disclosures. So feel confident that you can ask this and you will get answer, okay? Thanks Suzanne!

[00:26:53]

Oh my gosh, that's a wrap. I promised we were gonna make these Ask Farnoosh's this weekend a tad longer, and they certainly were, and I appreciate everybody who wrote it. Thank you Suzanne, thank you Josh, thank you Phoebe, thank you Kelsie, and Shamil, and Carol, and Julia, and Erin. Lots more to come this week. Lots of cool, exciting guests. I hope you stick with us. Stay tuned for s'more So Money episodes everyday. Every single day. Hope you have a wonderful rest of your Sunday and I hope it is, you know it, So Money!

[00:27:29]

[END]