

EPISODE 189

[ASK FARNOOSH]

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FT: Hey everyone, welcome back to So Money Sunday edition. It's Ask Farnoosh time! Glad to have you here joining me, hope you're having a wonderful weekend. By the way, if you are a "millionaire next door" type of person or know someone who is kind of like a "millionaire next door", let me know! Email me at farnoosh@somoneypodcast.com. I'm trying to put together a week of "Millionaires Next Door", and if you're wondering, "What's a millionaire next door?" Well if you've read the book and you know kind of the expression, it means someone who is a millionaire, meaning their net worth is technically \$1 million, but you wouldn't really guess it because they're not flashy with their expenses and their money.

They don't live in huge houses, they don't live extravagant lifestyles. They live quality lifestyles, they have what they need and what they want, but they're really conservative about it in some ways, kind of modest. Certainly not discussing this with neighbors, [Chuckles] and the neighbors don't look over there and go, "Wow, he got another Lamborghini!" Cause you know, I think culturally we think when people are millionaires, we assume that they are a certain profile. But what studies have shown and research has shown is that true millionaires, those who make the millions and keep the millions live a much more thought-out lifestyle and are very more careful, and are a lot more careful of how they spend their money. There's actually an aspect of frugality to it, believe it or not.

So I just thought it would be kind of cool to dedicate a week to individuals out there and across the globe. I've actually gotten people writing from overseas say, "Hey I think I might be a millionaire next door," so I love that I'm hearing from so many people from so many places in the world. But I've left this search open for a while now, and looking to find the right five people. And if you're one of those people, or you know someone who is, let me know:
farnoosh@somoneypodcast.com.

[00:02:36]

Okie dokie, let's get to the questions. And as I mentioned yesterday on this show, I was going through my inbox realizing that, "My goodness, I have a lot of questions that I have neglected. Patient, patient listeners who have probably been a little disappointed that I hadn't answered their question in the last week or two." So I am going to now probably finish every single question that I have currently in my inbox. Yesterday I think I answered 9 or 10 questions, today I'll probably do another 8 or 9 and that should hopefully get me back to square one.

So we're gonna start here with David. He says:

D: "I recently started listening to your podcast. The content is really, really good. Thanks!"

[00:03:17]

FT: Well thanks David! I appreciate your patronage. Then he says:

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D: "I wanted to ask how you pick people to be on the podcast. I'm 27, live in Paris, I'm from Colorado. I have about \$15,000 in credit card debt and I'm working hard to pay off my student loans. I recently started a blog called making1million.wordpress.com to write about my debt pay down. I'm not a pro, but I'd love to be a voice of someone who's actually paying down debt and doesn't have it all figured out. It's a perspective I couldn't find anywhere and wanted to share with people."

[00:03:48]

FT: Well, yeah David, I mean I like to find people for the show who are accomplished and so they can reflect on their journey with me. You're currently in that journey, so maybe once you've paid off that \$15,000 there'll be a lot more that you can pull from your experience. Right now maybe you're a little lost at sea it sounds. I can definitely recommend you some great resources as you are looking to pay down that debt. This podcast is one of them, but Dave Ramsey has a

great, great book and a lot of my guests, and a lot of my listeners have used that book and have read that book and love it, and say that it's changed their lives. So check out Dave Ramsey.

And online there are a lot of blogs. I love Budgetsaresexy.com, J. Money who was on the show recently, there's Paul Pant's website, which is Affordanything.com. There's Ptmoney.com, Philip Taylor who's gonna be on the show soon. He blogs and he's actually the founder of FinCon, which is the big financial bloggers conference, annual. So lots of different resources if you just go through my show, the history of my show, go to the archives you'll see a lot of the guests come from financial backgrounds, are financial experts, they have lots of advice and wisdom to share. So I would say, spend some time perusing that, and let me know if you have any more questions about getting out of debt. I mean it's a topic that we cover, not a whole lot on the podcast, we often talk about earning money and investing in business ideas. But debt is obviously a big part of the financial landscape, and especially this country. If you have more questions about this specific questions, please don't hesitate to follow up with another question. Thanks so much David and good luck to you.

[00:05:44]

Kaitlyn says:

K: “Hey Farnoosh! I was inspired by a recent question you had from Monica. She got a \$3,000 raise and asked what she should do next. Well I recently got a \$5,000 raise and I'm trying to tackle my student loan debt from law school, which is about \$80,000, by paying an extra \$500 per month. I feel maxed out because I'm also contributing 10% to my company's 401(k) out of my paycheck, and saving about \$300 per month for my emergency fund. My raise is about \$250 extra per month. Should I pay more for my loans, up my emergency fund, or contribute to a different retirement? Can I buy a new car? Mine is pretty old.”

[00:06:25]

FT: [Laughs] Okay, let me think about this. So you're, okay 10% to your 401(k) that's excellent. I don't think you need to do a whole lot more there. \$80,000 in law school debt, what's the interest rate? Is it really high? And you said your rainy-day - if it is high, then I would say maybe

that's a possibility. But I'm also gonna now look at your, what you mentioned about the savings. "Saving \$300 a month for my emergency fund." What I don't know about that, that I would love to know, is how much do you have currently in your savings fund and what does that equate to as far as monthly expenses? Is it a six-month cushion? Is it a three-month cushion? Is it a no-month cushion?

If it is less than six months, I want you to put that extra \$250 there and get that to a nice healthier place because you owe it to yourself to have a good, nice, emergency fund. Can you buy a new car? Sure! I think once you - maybe next year, [Laughs] you get another raise! You could sell your car and try to find one that isn't too expensive that you can use some of the proceeds from your sold car to buy a new car. That could be a possibility, but I wouldn't put a lot of money towards a new car. I just don't believe in doing that. I mean I can buy a really nice car and I have a very modest Toyota, brand new Toyota that we bought last year. I know I probably should've bought used, but I really wanted the hybrid.

So, there weren't a lot of used ones on the market, and we were very, we did a good haggle with it. We paid in cash, and it was a proud "So Money Moment", so be careful when you're buying cars. They do depreciate dramatically after you drive them off the car lot, so just be more mindful about that. But I would like to see you in a new car. You're working hard and you're doing good things. So keep that at the top of your financial to-do list, and maybe we can figure out a way to get you to get that. But I would love to see your emergency fund be more robust if it's not at six months. If it is, maybe start car shopping!

[00:08:36]

Okie doke. We've got a question from Shauna. No, Shanna! She says, "Rhymes with banana". [Laughs] Thank you! See, I would've said it wrong.

S: "Hey Farnoosh! Update here; I wrote in a few weeks ago about my husband having more of a credit score..."

FT: Wait, what?

[00:08:54]

S: "My husband having more credit score than sense when it comes to cars."

[00:08:59]

FT: Okay.

[00:09:00]

S: "So I took your advice, and we sat down and talked about it, and he sold the extra car! Once we both looked at what else we could do with that cash, it was an easy decision to get rid of it and now we are working on a mutually decided financial plan."

[00:09:12]

FT: High-five Shanna! She says:

S: "Now, on to the next problem - handling toddler tantrums. I hope Evan takes it easy on you when he hits this stage, and happy belated birthday to the little guy!"

[00:09:23]

FT: Awh thank you so much Shanna! I really appreciate that. And oh my gosh, what am I gonna do when he turns two? He's already very curious, very sort of unruly in some ways. I'm trying to just let him be free right now but it's, mostly I'm just making sure that he doesn't fall down and like bump his head on everything, which he still does. They say, there was an article in Huffington Post that said, "You know you're the mother of a boy, or the parent of a boy, young boy, if you've been to the emergency room before they hit age five."

I hope to gosh I'm never that mother, but I know lots of moms who've had to go and stitch, stitch, stitch. Cause boys just get into lots and lots of sharp objects. Girls do too, I definitely was one of those girls, so maybe he gets it from me. Thank you so much Shanna.

[00:10:16]

Michelle says:

M: "You mentioned on a recent podcast about starting a "mastermind group" and I wondered what you meant by this and what that type of group would do and accomplish? I have been interested in starting a women's group with friends who don't know each other but all live a life where they strive for excellence. I feel we could all share the things we love or live by and could really help each other out to be even a better mom, wife, sister, employee than we already are but are unsure how to start something like this."

[00:10:40]

FT: Awesome question Michelle. So yeah, I'm actually part of a - it's a, one, two, three, four-member mastermind. It's all ladies and we came together, really it was not my idea. It was one of the group members, she wanted to start a professional group that was gonna meet once a month. She found her friends who were doing work that complimented her work. It wasn't like I, you know, we don't all do the same thing but we do similar things where maybe a couple of us have podcasts, some of us are doing digital products, others have books. So together we synergize and we share resources, we give feedback. It's very structured, I will say. It sounds kind of loosey-goosey, but we decided to really make the meetings productive, cause we're all moms - a lot of us, two of us are moms. Half of us are moms, [Chuckles] and all of us have busy lives.

So we just decided to make sure that every meeting, definitely have some wine, definitely have some good food, but we would get down to business. And we have a structure; the first question, we go around the table and we talk about I think, you know, we give updates of ourselves, professional updates. We talk about maybe something that we're struggling with, something that we are happy and proud of and maybe we share a new resource with the group as well. So we have these kind of things that we like to hit at every single meeting, and of course, the meeting takes on it's own life as well but the point is is to really grow as an individual, and as a group, help each other.

How do you find people? As I would say, start with at least one person that you really respect, that you admire, that you wanna learn from, that is also in the, has this interest of growing their business and their perhaps even their personal life. You know I've actually heard of - and then from there maybe you ask that person for a recommendation for someone else to join the group. Make it really collaborative and for all the members to feel as though they were hand-picked, but also that they had a play in picking some of the other people as well. Because you want everyone in the group to feel incentivized to be there, that they are not the strongest person in the group or the weakest person in the group. That everybody has their strengths and weaknesses and it's a very nice kind of equilibrium in the end.

I remember also a friend talking to me one time about having a personal board. Have you heard of this? So companies have boards, right? They have board members, they have advisors, a group of advisors. And she said, "You know, what's kind of happening around the country is, particularly with women groups, is that they're developing what's know as like 'professional/ personal boards'". And so like you mentioned, it doesn't just have to be about work. It could be about mommy-hood, it could be about being a sister, it could be about like life, just life-general questions. Having a board of people that you admire, trust, respect, experienced, open, honest women to convene at a mutually convenient time, once a month. And maybe there's an agenda so people can prepare a little bit. Maybe it's like a different topic every month and you go around the group and you offer solutions and resources and things like that.

I mean, you can read up a lot more on masterminds online, and there are masterminds that you have to pay to get in to. And those definitely, some of them have a lot of value to them. My mastermind is free [Chuckles], but the thing about a mastermind, the beauty of it is that it can really be structured however you want and it can really be, the definition, it can be whatever you want it to be. So I encourage you to do this, cause I do think it's a great way to invest your time.

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Kim writes in, says:

K: "Love your podcast! What a great format you have developed and outstanding guests. Also love the Ask Farnoosh episodes."

[00:14:43]

FT: Thanks Kim! That's nice to hear, cause sometimes I feel like "Ask Farnoosh", people drop off on the weekends, I'll be honest. And I probably would too, if I was a listener, I wouldn't be listening every weekend. So I really appreciate those who stick around on Saturdays and Sundays because this is probably one of my funner things to do during the week, is to answer your questions. She says:

K: "So much information you provide for us! You often ask for people or experts to interview, and I wondered if you would talk to Angie Hicks from Angieslist.com. She's interesting and her business supports outstanding service providers and entrepreneurs."

[00:15:15]

FT: Yeah! I would love to interview Angie. Do you know her? Cause I would love to interview her. I think she'd be a phenomenal guest, she's a real great example of entrepreneurship and perseverance. So I don't know her, but I think I could probably find her media contact on Angieslist.com, but if you know her, that would be even better and more helpful. So let me know. Thank you for the suggestion.

[00:15:39]

Kris says:

K: "Hey Farnoosh, I keep hear about how we should have an emergency fund and I totally agree with this but wanted to know how much we should have in this fund and what type of account we should have it in? Just want to note that I ran into your podcast a few months as part of my journey to get a great understanding of personal finance. Gotta say you made me a fan of the podcast and now I listen to it a few times a week. Have to compliment you on the

great work you do on the air with the tremendous guests you have and be able to answer questions from us listeners. Keep it up!"

[00:16:09]

FT: Kris, I love you, I appreciate you. Thank you so much for that really, really cool, kind comment and I'm so happy that you've joined us here on the So Money journey. Well, I'm a big fan of having at least a six to nine month cushion for an emergency fund, and what that cushion represents is about six to nine months of your living expenses. You can be conservative, like if right now you've got Netflix and you've got Amazon Prime and you're spending money on sneakers, I mean maybe that emergency fund doesn't account for those extras, but it's really just the bare bones to keep the lights on, the food coming, the gas in the car, the insurance paid, the bills are paid. So it may actually only be a smaller percentage of what you're actually spending every month, but it's something that you know deep down, only you can answer this. This would actually be the right amount of money for you to live off of for six to nine months, relatively comfortably, as you get back on your feet or decide which direction to go next.

Because really, where this money helps you is if you get laid off, if you decide to change jobs and you need some time to transition. If you decide, "You know what? Screw it! I'm gonna go travel for, you know, six months. And I think those people who do that are awesome and I envy them. Or whatever reason, it's an emergency fun. Or maybe you need to tap it for a sort of a short-term emergency such as a medical bill you weren't expecting, your car breaks down. So this is also where the emergency fund can really help you. And where to keep it? A bank account that's accessible, where you can go and cash it out at any given time. It's not necessarily a virtual account where you have to transfer the money and it takes three days. Because if you needed this money yesterday, you wanna make sure that you can go and get that money asap. So I like to see emergency funds readily available. And don't worry about the interest rates because this is not money that you're trying to necessarily grow quickly. It's money that you, most importantly, just wanna have available to you at any given time.

So that's my answer Kris, and thank you for listening.

[00:18:29]

Got a question here from S. Just S:

S: "Hi Farnoosh. I'm asking for advice on behalf of my Baby Boomer Dad who was recently laid off with a year's severance pay but is not in the financial position to retire yet. At 60, he also actually likes working and would like to continue to work well into his 60's. Are there any resources to help Boomers find employment that you are aware of - Dad has an IT background? Do you have any general advice for prepping for an impending layoff?"

[00:18:58]

FT: So I feel like this could be my dad. And my dad is in his 60's, he's a physicist, he's not in IT, but I feel like he knows a lot about computer science. I would say, cause I just read this question I didn't do any research, I would check AARP.org. They have so many resources there for, I think, what you're looking for and even more and beyond. I mean they have so many resources for baby boomers; articles, links, websites. I think there you might be able to find some good articles about this. And Retirementjobs.com is actually a website that I'm familiar with that has listings for jobs that are kind of, I mean, they're not exclusive to people who are in their 60's or 50's, but it is the types of jobs that make a lot of sense for people in that age bracket because they might have flexible hours, they're part time jobs. They're not looking for entry level people, they want people with experience. So that could be good resource. It's Retirementjobs.com.

And then I would also say that, as an individual who is in his 60's, who is experienced, has IT background - this is perhaps an opportunity for him to really think now, as he's got time, to think about, "How might he turn this into a consulting gig. He's probably got a lot of relationships and connections in the industry, can he viable market himself as a consultant, free-lance consultant, given his experience. And I bet there is a lot of opportunity for him, so that could be something else that he could explore and I'm sure that there are people that he knows that could give him advice on this, that have done this. Cause I know this is a very popular transition for people who are retiring, is to take their wealth of knowledge, skills, and experience from working for the better part of 3 or 4 decades into a consulting profession for themselves. They can work from home, they can pick their jobs, they can select their hours. It's really, it's kind of ideal.

So thank you for your question, and what a great daughter your dad has that he wrote in and asked for him this question on behalf. And, wow, did I get through everything? I did! Now if you're listening to this podcast and you're like, "No, no, no. You did not answer my question, " please re-send it, because I feel as though I've gone through everything, but of course I'm only human. I might have missed a question a long the way. So I'm happy to say, "I'm back to zero now and all the questions that come in, from here on out, will be new. And just so you know, I've recorded this. It's not Wednesday evening, so I - just a little secret - I pre-record Ask farnoosh, obviously. I couldn't be ale to record this like at 2 AM on a Saturday morning, I do this in advance because my editor's need time to edit it. So it' Wednesday. If you send a message in, Thursday or Friday, I wont' have seen it until, you know, after this airs.

So I apologize if you do have a question coming in later this week, I will have missed it, but it will be on the next weekend's episodes. Thanks so much for tuning in everyone. I hope this was a great episode for you. Lot's of fantastic questions. Hope your day is So Money!

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[END]