

EPISODE 209

[ASK FARNOOSH]

[00:00:30]

FT: Welcome back to So Money everyone. I'm your host Farnoosh Torabi. Happy Saturday! I am on Long Island for this weekend and for the rest of the week. My first family vacation, true family vacation, just the three of us since - probably since Evan was born. [Chuckles] Wow! You can go a long time without taking a true vacation if you're not conscious about it. We planned this vacation months and months ago and I can't even believe it's here. I'm recording this actually still while in Brooklyn but I'm talking as if I'm already out on Long Island. I can just hear the waves crashing and I can taste the lobster. So I hope to have good news to report back from Long Island. I hope the weather is good and everybody is nice and plays nice out on the Eastern shore.

And a little update for you guys; I'm really excited to say that I've made a decision, thanks to your support. I've gotten a lot of emails over the week from you supporting me in my sort of - I was unsure about what to do with the show, the format. Do I keep the weekend episodes? Do I ditch them and do five days a week? And I have decided, with your blessing, to go from Monday to Friday, not just yet, but in a few weeks. Probably late September I'm gonna make this transition where I'm gonna dedicate Monday through Thursday to celebrity interviews, guest interviews and then Friday dedicated a longer episode than normal to Ask Farnoosh Questions.

So typically on the weekends I do maybe a 20 minute episode Saturday, 20 minute episode Sunday. The Friday episode might be a good 30 to 45 minutes and I might even bring on guests for that episode to, with me, answer questions that I've received from guests. So very excited about this because this means a few things. One, I get to relax on the weekend. Two, I think it's going to for a more efficient show because when I have time to - because when I can relax and reflect I can think ahead, right? I can plan, I can think of more fun stuff for the show.

And I think for listeners, for many of them who've been writing in saying, "Oh my gosh, too many shows Farnoosh. Daily is impressive, but for me as a listener I just can't keep up." Hopefully this

will allow listeners to catch up, play a little catch up and actually be more committed to the show on a daily basis as opposed to binging on like a Monday, which is fine too but I think this will be a more reasonable pace for all of us. So I'm very excited about that, and that is forth coming. We are close to a million downloads guys! It's kind of why I wanna wait. I wanna hit that million download mark and then I feel as though as a producer and launcher of this show I can change the rules a little bit. I feel like we've reached a really, really great milestone.

So I wanna say thank you for the feedback because it's very, very reassuring to me to know that I have your support still and you're not going to abandon the show just because I'm not doing it seven days a week, which I'm happy I did it, but going forward I think it's time for a little bit of a reboot. So stay tuned for that.

And it's Saturday, so what do we do on Saturdays? The top of the show, we go to iTunes and let me head to my iTunes dock. 311 reviews! We were talking at Podcast Movement last weekend about the iTunes algorithm and how to figure out what iTunes likes in order for it to give you nice placement in the iTunes store. And one of the agreed upon variables, although there's no definitive list of variables that iTunes uses to figure out which shows get better placement, but we have a good feeling, us podcasters, that reviews do go a long way. And so I think that the reason we keep getting "What's Hot in Business, and Investing, and Business News", is because of the great reviews. And so I wanna say thank you this week to Erica in London.

Erica in London, are you listening in London? She writes:

E: "This show, listening to Farnoosh, is like having a financially savvy best friend. I've always been into personal finance, I have my CPA and my MBA, but I find that most of my close friends are not into talking about it. The podcast is my daily finance fix and Farnoosh's conversational tone makes it feel like we're sitting in the living room chatting."

[00:05:01]

FT: Well actually Erica, I'm in my bedroom right now. [Laughs] Just a little TMI.

[00:05:06]

E: "Though I'm pretty educated in this area, I always learn something or find a way to look at things a little differently after listening to her show. I cannot recommend this podcast enough!"

[00:05:15]

FT: Oh my gosh, well Erica, I'd love to extend a free 15-minute Money Session to you. I wanna say thank you for this generous, kind review and I'm really honored and flattered that somebody with her CPA and an MBA - Woah! - sees the show as something really special. So I really appreciate that and I just wanna say thank you to some of the others that wrote reviews. I can't pick everybody to have the free 15 minute money session, but I see we have some fresh reviews here from MedaNick, JeffRose, FreshFaithBites, CBPrescott, Carki79. So thank you all for writing your reviews and being so kind, and I love ya! What can I say?

Let's get to our questions, okay? Let's start here with Joan, and Joan says:

J: "Hi Farnoosh! I am a huge fan that follows your podcast daily. I listen to your podcast on my way to work and during errands over the weekend. You are So Money and I too will be So Money, very soon.

My question is 'how does one establish boundaries around money when dealing with family? I am the most 'successful' person in my family and just so happen to have the highest salary in my immediate family. That somehow puts me in a position to be a go to person for financial help. I realize I can't be that person and be So Money for myself at the same time. What are your thoughts?"

[00:06:32]

FT: Yeah Joan, this is a really valid concern. I think that you're probably not alone. I think everybody has that person in their family, or is that person who is the target in some ways. You're the go-to person for financial help. I think that it's really important that your family understands what your goals are. Sometimes we look at people from the outside in and we see, "Oh this person makes six figures, or this person has a really fancy job, or a fancy title. They

must be doing so well. There much be so much money in the bank." And while that might be true, they may not also realize that you have goals and you have things that you wanna accomplish. And you have expenses, and you have priorities. And while your family is a priority, it's not like you have this "Bank of Joan" for your siblings, and your parents, and your cousins, and your friends.

So I would say first step is really start to naturally start talking about your goals and if it's like, "I'm saving to buy a home. I started a retirement fund. I'm investing in XYZ." So people know that you're putting your money to work and it's not just sitting around waiting for a family member to come and cash in. And I think that if you wanna help your family, you should. Don't necessarily call it a loan, just give them the money if they want it. Make sure that you follow up with them and it's not just a handout, but that it comes with some accountability and some good advice as well.

And remember, there are other ways to help your family and friends without just writing a cheque or giving cash. There are ways that you can help them out by giving your time and your advice, and other resources. Be honest, "You know, I know I may seem like I have this really great financial life and I do, but I'm really concerned about this and I wanna make sure I have enough for this. And so I'm happy to help you, but just understand that I have limitations just like anybody else." Period. End Scene, [Laughs] as they say.

So Joan, very good question. I really appreciate this question. I think that you're gonna be helping a lot of people by asking and hopefully my answer was helpful.

[00:08:41]

Stanley says:

S: "Greetings Farnoosh. Just got hooked onto your podcast,"

[00:08:44]

FT: Well welcome Stanley! Welcome to So Money.

[00:08:47]

S: "...and I cannot stop listening to it!!"

[00:08:49]

FT: He says. Well, I'm honored.

[00:08:51]

S: "My name is Stan, 22 years old and going to college. I am about \$5,000 in debt with hospital bills as well as other mistakes I have made with credit cards. I am currently making about \$22,000 a year. How would you recommend rebuilding credit?"

P.S I have bills such as rent, my phone bill, food, transportation, and miscellaneous."

[00:09:12]

FT: Well Stan, I'm very impressed that you're going to college and earning \$22,000 per year - I assume that's helping you pay for tuition? So listen, I had about the same amount of credit card debt when I was in college, and I hustled and worked and found other income streams to pay that down. But I would say too, your question is specifically about rebuilding credit, so I assume that you've fallen behind on some payments. The most important thing you can do to rebuild credit is to get back on the band wagon and start making those payments on time, every time.

So create some sort of automated system where your income is, a portion of it, is going directly to these obligations. The hospital bills, the credit cards, try to do your best to do more than just the credit card minimums because that's also going to damage your credit over the long run if you're just paying minimums. Pay double or an extra 20 bucks, an extra 20 bucks, whatever you can do. Just don't do the minimum because the minimum will keep you on, as they say, "this treadmill to nowhere". You're gonna end up paying a lot more in interest and your credit score will suffer.

So think about your cash flow; what is \$22,000 per year divided by 12? That's probably around, it's a little less than \$2,000. I dunno if that's before or after taxes. Prioritize your debt as you are just as much prioritizing your rent and your phone bill. The food is 300, maybe you can cut some food costs there. Transportation is 200 - what's that? Is that your car? Perhaps you can split gas with friends, carpool? Find ways to shave off couple \$100 a month, put that towards the credit card debt, get that knocked down sooner than later. And also, parting advice, stop using the credit cards! It's important because I think that way you end this cycle of debt. Just put them away, and just focus on the balance.

So good luck to you Stan. Thank you so much for starting to listen to the show. I love to hear from the millennials!

[00:11:11]

Joe says:

J: "I've heard you comment several times about your passion for real estate.

[00:11:15]

FT: Yes Joe. In fact, today I've just interviewed Bill Raveis which his episode is airing later this month. Bill Raveis owns William Raveis, which is the largest real estate agency in the Eastern U.S. Anyway, I digress. He says:

J: "Are you interested in becoming a broker, investor, or maybe both?"

[00:11:34]

FT: Hmm, well I have joked, but there is a truth to every joke, right? I have somewhat jokingly said, although partly truthfully, that I would like to become a real estate broker at some point. When? I have no idea, but maybe it's like a cool retirement gig? Maybe that's what I'll do in my retirement years. I will get my real estate license and move to some random place and start

selling property. Or I feel maybe sometimes if there is reincarnation that in my previous life I was a real estate broker. I do feel a really strong connection to real estate.

Anyway, he says:

J: "My wife and I are real estate addicts, seriously. I keep spending our emergency funds on down payments! We now up to 17 properties. Crazy, but we love it. Also, how many Money Mantras can one have? I think I'm up to 25 along with 15 reasons to love real estate! You're slaying it on your podcast!"

[00:12:30]

FT: Well Joe, sounds like you're So Money. And 17 properties, woo-hoo! Tell me more about that. I'm really interested. I know you wrote to me as well, you emailed me and told me all of your money mantras and I really appreciated it. So I love fans man! You're like a So Money fan if there ever was one.

[00:12:48]

Steven says:

S: "Hey Farnoosh, awesome show! I stumbled upon it when looking for a James Altucher interview and now I'm a regular listener. My question is about whether or not equity crowdfunding is a good investment and how it compares to other investments. I'm thinking of saving up the \$5,000 as part of my portfolio to invest in a startup with a website called Microventures which raises money for startups that haven't gone public. I'd like to hear your thoughts on this."

[00:13:15]

FT: I don't know anything about Microventures, never heard of them. So I will say this, if you're going to invest in something, always stay diversified. So don't give Microventures \$5,000 for one startup. See if they can spread that across a dozen, 20 startups and so you can play it safe that

way as many startups fail, maybe one will be successful and you'll not be so burned in the process. Cause you know, it's risky business business, this is risky terrain. So it's Microventures, I assume they're gonna take your 5 grand and really split it up several ways, which could be good, could be fun.

And by the way, this is an alternative investment for you, right? So if that \$5,000 is all you have, don't do this. But if it's part of your portfolio like you say, and it's less than 10% of your portfolio, less than 5% of your portfolio, have fun.

[00:14:07]

And Mary writes in and she says:

M: "Hey Farnoosh. I've just inherited a bunch of money from my mom, and I don't know what to do with it! I've redirected my share of an existing annuity to go to my Roth IRA, but there is still a very large amount left over! Is there anything wrong with creating a Vanguard account and simply having a brokerage account that isn't specifically set up for retirement, or am I then setting myself up to pay more tax than is necessary? I'm 50 and don't plan to stop working for at least a decade. Thanks for any info!"

[00:14:36]

FT: I don't think there's anything wrong with creating a brokerage account. I think that's what you do after you have maxed out all your other retirement options that are more tax efficient and you have leftover money that you wanna invest a little more aggressively, you can do a brokerage account. But that's up to you. I don't know what your other necessities are. Do you have a good emergency fund? Do you have six to nine months, maybe 12 months, tucked away? You have 15 years potentially till you retire, and even then you're not gonna take all this money, right, and spend it all at once. So I would say, keep it invested.

[00:15:11]

Donald says:

D: "I recently changed jobs where I participated in my employer's retirement plan. My new job has a 401(k), which I would like to participate in. Would you recommend that I rollover my previous 401(k) to my current one or should I leave it alone?"

[00:15:26]

FT: I think that you have a couple of options here. You can definitely leave it alone, but just be aware that there might be some maintenance fees. With this new company 401(k), is there a match? Are there more options available to you as far as where to invest? If that's the case, you might wanna rollover. And also, why I like rolling over is it allows you to consolidate. When you consolidate your financial life, it inherently becomes a little simpler. So having your money in one place as opposed to two, and then you change this job and then its three, it just keeps for better tracking and so I like the rollover. But then it really comes down to what your 401(k) at work is like and how it compares to your previous 401(k).

[00:16:14]

Kelly says:

K: "Hey Farnoosh. My boyfriend and I have started talking about marriage and he is pretty adamant about not having a prenup. I make significantly more and have set up a revocable trust to protect my assets. Once we're married we will most likely join accounts while keeping one or two for ourselves. If he knows roughly how much I'm worth but might not have access to it, what kind of conversation should we be having?"

[00:16:38]

FT: Well I don't know why he's against having a prenup? It seem pretty simple to me. I mean, just do it. Just take the emotion out of it. Maybe he doesn't think it's romantic. But I think you just wanna tell him, "You know, I work hard, I save hard, I have some assets that I like to protect. It's nothing against you. I wanna build a life with you, I wanna build a financial future with you, but

I'm territorial about a couple thing and it's nothing against you. I would do this with anybody. I just feel that I really want to protect a couple assets. Not that I wanna hide anything from you."

You know what you can tell him is, "I'm gonna keep everything transparent. Let's share visibility to everything. But as far as access, there are a couple things that I wanna keep for myself," and see what he says. Hopefully he'll understand, and I'm really curious why he's having issue with the prenup? Does he need me to call him? Because I totally will! [Laughs] I think that it's not abnormal to be a little weary of prenups and like, "Does she think she doesn't love me enough, does she anticipate we're gonna get a divorce?" I mean those are the predictable questions that might be going on in his head.

But you just need to reassure him that this crazy woman named Farnoosh, who has this podcast, is really pro prenup. And it has nothing to do with love, it's all about just being mindful of the wealth that you have built for yourself individually and that you wanna protect it a bit. And hopefully you'll never reference this prenup but just for you it will give you peace of mind, it would make you happier. And guess what? Happy wife, happy life. Period.

[00:18:16]

Shari says:

S: "Hi! I can't ever get the podcast to play. What am I doing wrong?"

[00:18:21]

FT: I dunno Shari? Are you in iTunes? Are you using your podcast app on your iPhone? Are you using Stitcher? Are you going onto my website? Please tell me why you can't play. Like where are you going that it doesn't play? I'm very concerned. Maybe your volume's not on? I dunno. Sometimes I do the silliest things. I think like, "Oh my gosh I can't hear anything, or the site's not working," and it's like I'm not connected to the Internet. So it happens to the best of us. And I don't mean to undermine you, but I'm just saying, it could be anything! But I do know that the podcast does work and it does air, so hopefully we'll figure it out. So let me know.

[00:18:58]

Yinka writes in and says:

Y: "Hey Farnoosh, I love your podcasts! I noticed a common theme among your guests saying that they wish they realized the power of compound interest when they were younger. As a person in my twenties, what are a few specific ways get started on the compound interest journey?"

[00:19:14]

FT: Well Yinka, it's all about investing! You can start to invest in a Roth IRA with your income, or if your company has a 401(k), do that, start that. The thing about being in your 20's which is amazing is that the earlier you start, the more compound interest is powerful. They say, I heard something today which was something like, "Starting to save in your 20's versus starting to save in your 40's, the same amount of money, you'll have eight times as much money." Eight times! So it doesn't have to be lots of money. Just start with 20 bucks a week, \$10 a day, whatever you can do and start to save that. And once you have a nice accumulation like a couple thousand bucks, put it in an index fund, or open up a Roth IRA. Or at work, start automatically contributing to your 401(k). So those are a few ways you can get started on the compound interest journey.

[00:20:09]

And this is our last question from Steph:

S: "You should for sure switch to a Monday to Friday podcast!"

[00:20:15]

FT: Woo-hoo! Yeah! I am Steph! And I probably read your email and decided I'm gonna do it.
She says:

S: "I've really enjoyed listening to your podcast, and I don't think you will lose anything by switching to a Monday through Friday format. Also, I'm really enjoying your book, "When She Makes More." Thanks for all you do!"

[00:20:34]

FT: Well Steph, thank you so much for that. You made my night. Y'all made my night. Great questions everybody! A fantastic, fantastic episode of Ask Farnoosh, yet again. One of our last Saturday episodes, but it's gonna be bitter sweet. I'm gonna enjoy having my weekends back, and you will probably too. Thanks to everyone for writing in; Steph, Yinka, Shari, Kelly, Donald, Mary, Steven, Joe, Stanley, Joan. It's been a wonderful time hearing your questions. Stay tuned for more tomorrow on Sunday's episode of Ask Farnoosh. In the meantime, hope your day is So Money.

[END]