EPISODE 223

[ASK FARNOOSH]

[00:00:29]

FT: Welcome back to So Money everyone. I'm your host Farnoosh Torabi. This is Ask Farnoosh, Saturday, August 22nd. And we have question today from Mindy Kim, Amanda, Gina, Camille, Anthony. Looking forward to getting to all of your questions very soon, but first as promised, I'm gonna turn over to Stitcher this weekend and try to see if anyone's left a review recently. And if so, that person will receive a free 15-minute money session with me.

So here I am hopping now onto Stitcher, which by the way is another way for you to access the podcast. If you don't love iTunes or don't have iTunes on your phone or on your laptop, you can go onto Stitcher, it's very popular with Android users. And last week I had more than one person actually ask me if there was a way to leave a review on Stitcher, and the answer is, "Absolutely you can!' Although I'm on there right now, and I don't see any new reviews for So Money. There are two reviews, compared to the over 300 that we have on iTunes, there are two reviews on Stitcher for this show. So I am not gonna pick anyone, as it turns out, from Stitcher this weekend because these were done seven months ago, and I'm pretty sure they're not listening to this podcast, awaiting their name to be called.

So that didn't work! Let's go back to iTunes and see who is our lucky winner this week. And our winner is, RicerX. RicerX, congratulations! This person says:

RX: "Millionaire next door series rocks. I'm loving this series! Just started listening to Farnoosh and it's great to hear about real people retiring and how they made their millions. Anyone who listens to it will feel the same way."

[00:02:18]

FT: Well thank you very much Ricer! You know, I'm very proud of the millionaire next door series that we ran just last week. It was very popular, it actually helped the podcast grow tremendously in terms of downloads and I'm sure new subscribers, like you, joined the show as a result of hearing how everyday Americans are excelling with their money and not just having money in the bank, but these are people who retired early. We heard from Jeremy Jacobson and Winnie Tseng, a couple that was able to retire in their 30's now travelling the world. We heard from Darrow Kirkpatrick who as he turned 50 became a millionaire, sent his son to college and retired early.

Yes of course it's very inspiring to hear form the notable names, Tony Robbins and Gretchen Rubin and all those other great people that I have on the show, but there are so many stories yet untold from so many american who are doing great, great things with their money and they're a gold mine for advice and guidance. So thank you for this review. Email me farnoosh@somoneypodcast.com and I will send you a link to where we can connect for a 15-minute money session. So thank you very much.

Alright let's get to the questions. And by the way, these "Ask Farnoosh" episodes will no longer be on the weekends starting soon, they're gonna be on Fridays. I've decided to go down to a five day a week schedule instead of seven, so we're gonna give up the weekends. Starting in mid-September I will be making more announcements as we get closer to that transition, but just wanna let you know that I'm gonna be dedicating Fridays, starting September 18th, to Ask Farnoosh questions. So just Fridays, starting September 18th.

[00:03:53]

Mindy Kim writes in and says:

MK: “Hi Farnoosh! I love the show. Although I am happy you will have more work/life balance in the near future, I will be miss the weekend episodes!”

[00:04:03]

FT: Oh just as I was just finishing talking about my transition. Well, I hope you'll stick with the show Mindy! She says:

M: “I started a new job at the end of December and was recently recruited for a position at a company that I have always wanted to work for. I decided to accept the new position. I am afraid that my current supervisor will be upset since I am leaving so soon. I am plan to give more than a month notice to help with the transition. Do you have any words of wisdom on how to leave on the best terms possible?”

[00:04:31]

FT: Well Mindy I think that giving more than a month's notice is really leaving on the best terms possible. I mean, on average people give two weeks notice. So you're giving more than double that, so feel good about that. Additionally you could offer to train anyone who's going to perhaps be filling in while you're gone to make sure everything goes smoothly once you leave. And I think that the way you wanna present this to your boss is say, "You know I have an offer that I just can't pass up. While it pains me to be here telling you this, on the other hand I'm also really excited for this opportunity. I know that you have been so supportive of my development while I've been here," and you might wanna mention that you're really thankful for the opportunities that your supervisor has granted you during your time at the company.

Be really appreciative, be really grateful, give this person a lot of credit for the fact that you were able to now elevate yourself in your career, that your experience at the company, working with the supervisor, groomed you to be able to take on this new and exciting opportunity and that you're very thankful. So I think already you're approaching this wisely, that you're giving a lot of notice. A month should be enough time and no supervisor should get upset if you give months notice. So good luck on your new venture and thanks for writing in.

[00:05:49]

Amanda writes in and says:

A: “I have a tip: I made a financial mistake this month. I bought 2 dresses - I really didn't need more dresses - for $240 on Rent the Runway clearance. These size 4's did not fit like the 4's of my other dresses. One was so tight it looked awful, and the other wouldn't even fit over my hips or bust.”

[00:06:11]

FT: Yikes! She said:

A: “They're final sale. I've been sad, and the box has been staring at me from my bedroom floor for a week. Well, good news! I put everything on my credit card, but pay in full every month. And the American Express Purchase Protection Plan came to the rescue! I get to return the dresses less the shipping charge to AmEx. So in conclusion, if you're In a bind, check your credit card benefits next time! :)”

[00:06:38]

FT: Amanda, I learned something new today. Now I know that American Express has a really good purchase protection plan in the event that something comes to your house and it's broken or it was defective and the merchant won't take it back. Or if you got double charged and the merchant's hard to reach, AmEx will jump and and try to save the day. I did not know that if you bought something, like a dress and even though the dresses weren't defective, that you could a refund through the American Express Purchase Protection Plan because there was a no-return policy on the dress.

So I actually looked into this, because I didn't believe you at first! I had to go and find the fine print myself, and I did find it, and it turns out, you are correct. So thank you for teaching us that lesson, and it makes me feel better next time I go and I buy something on final sale.

[00:07:28]

Gina says:

G: “Love the show. Definitely making me approach money differently! My husband and I both make decent money and contribute a good percentage to our company retirement plans. But I want to do more, and do better in saving and investing. But I don't have the slightest clue how to go about investing. Can I DIY investing? And if so, how? Or do I need to work with a financial planner or something? Help a newbie out. Thanks!”

[00:07:54]

FT: Well Gina, I think that first things first, you might wanna talk to your retirement plan's advisor. If you have a 401(k) through work or a retirement plan through work, often that plan comes equipped with a free financial advisor of sorts. Now this person isn't going to go and help you in all of your accounts, but particularly that retirement account that you have with your job. They'll help you find the best allocation based on your risk tolerance, your age, your retirement horizon, all of that to be able to give you a nice catered plan. And so start there.

As far as "doing it yourself" - I don't think this is something you wanna do yourself as far as picking stocks if you're a novice. And I wouldn't even recommend doing this yourself if you think you had an inkling about where stocks were going. Investing is, as far as stock picking and day trading and all that stuff goes, is something that very few people can master and I would dare say that those who can master it, a lot of it is luck. And so for you, I would say, you might wanna speak to a financial planner, who not only will help you with the investing component of your financial plant, but also the insurance component, the savings component, the planning component, the college savings component for kids perhaps. That's where a financial planner can really help you in this holistic way, and yes of course with the investment component.

But as we've talked about on the show, as far as investing for the long run goes, a lot of us here are big fans of indexing, of passive investing, and not being so concerned about the day-to-day fluctuations in the marketplace. Just understand when you wanna retire, your risk tolerance. So those are my few tips for you, for a newbie investor. And I would say, you might wanna also check out my podcast with Frank Curzio. That was done months ago, but Frank is an investing expert. I also have several interviews with financial planners, one with with my own financial planner, Stacey Francis and we also had Rick Edelman on the show, coming up we're gonna have Sophia Bera on the show, who is a financial advisor for the Gen Y-Gen X generation. So stay tuned to the show, I think you'll continue to learn a lot from our episodes. Thanks so much, and good luck.

[00:10:14]

Camille says:

C: “My younger brother is getting married in November and is feeling the stress of having to provide for himself and his wife. Do you have any tips for creating a budget for a young 23 and 20 year old married couple both in their undergrad years?”

[00:10:30]

FT: Yikes! Camille, can you tell your brother to slow it down? Why get married so quickly? Really? I mean not just for the financial stress, but there are so many things you don't even know in your 20's, in your early 20's, to be at that young age and suddenly financially responsible for somebody else when it's hard enough to be financially responsible for yourself, accountable to yourself at that age. I would say that honestly my best advice is to delay the marriage and just keep dating, stay together, but don't jump into this just yet when he is feeling financially incapable. It's not doubt, he's on 23, 20 years old, and so I think what they both need to do is to take time to really discover themselves, find ways for each of them to independently become financially stable and then come together.

I guarantee they're going to be happier, less stressed, and time is on their side. They're only in their early 20's so maybe this isn't the advice you were looking for, but I have to kind of take 10 steps back here and say, "Let's rethink getting hitched so quickly." I think, you know, even just a couple of years. Wait till they're graduated from school, at least. Focus on school now, then graduate, get a job, get your ducks in a row, and then think about getting together and forming a union. But good luck to your brother. If he needs advice, have him give me a call or write in. Thanks so much Camille.

[00:12:10]

Anthony says:

A: “Hey Farnoosh, thank you for your podcast, I love it, its a massive help to me in become more informed about finances.”

[00:12:16]

FT: Well, you're welcome Anthony.

[00:12:18]

A: “I wondered, through all your interviews and your own advice, what are the top 5-10 common Financial habits you've noticed that most or all your guests have? I've noticed myself, they all say get rid of your debt, have a 6 month buffer, and most invest in index funds. Thank you again Anthony from Essex England.”

[00:12:36]

FT: Oh how fabulous! I have an overseas fan. Thank you Anthony, all the way from England. I should've done that with a British accent - a bad, British accent! I think you're right, a lot of my guests do say, "Debt is bad, have a good emergency cushion, invest in index funds, try to be passive, don't worry about the day-to-day fluctuations and try to beat the market." On top of that I would say that just recalling some of the habits from our millionaires next door from last week, a lot of them I think echoed what you just pointed out.

But also, all of them were very focused on spending as far as the budget, making sure that they were checking their spending regularly and they were making sure that how they spent their money was in line with their goals. So having that regular check in, whether it's once a week, once a month, every quarter, you're making a connection to your money and the way that you're spending, just to make sure that at the very least, there aren't any mistakes, any discrepancies. But then of course, how you're spending actually lines up with what your goals are today and in the near future.

And I think communication is another common healthy habit where if you're in a relationship you're constantly communicating with your partner about money, you're keeping yourself abreast of your financial reality, communicating with yourself. With you're with an advisor, that relationship has to be a constant back and forth. And so keeping the lines of communication open when it comes to money challenges, money questions, that's also a good habit that I find a lot of my guests with financial success practice.

So that's a great question, and thanks for kind of jogging my memory there Anthony and I'm sure there's lots more. Remember, I keep all of the transcripts at Somoneypodcast.com, so if you missed an episode and you'd rather read it, all that info is there for free.

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And I'm gonna wrap here with Joshua who says:

J: “Farnoosh, love the show. I am 30 - almost 31 - and have been in the military since I was 18. I didn't start saving until I was 25. I put 12% back into my TSP, which is a Thrift Savings Plan, and have other allotments going towards savings and passive mutual fund investment accounts. Lately there has been chatter about the coming "correction" in the stock market. And I currently have roughly 90% my investment assets in stocks. Should I try to diversify more, or should I ride the wave since I am relatively young and have 'some' time on my side? Thank you so much!”

[00:15:08]

FT: Well Joshua, I think that 90% might be a little too high for someone who is 30. It's not completely out of the ballpark, but general rule of thumb is take 100, subtract your age, and that is the number that you wanna be roughly invested in the stock market, with the other percentage remaining in things like fixed income cash bonds. And so you're 30, almost 31, I would say safely 70% on a conservative level in stocks, maybe 75 if you're single - closer to 80 if you don't plan on getting married for a while, not having kids. And I say that because you don't have any financial dependents right now. So that's a plus as far as the risk tolerance that you can take on. You have a higher tolerance for risk at this point, just based on your lifestyle and your life conditions.

So 90% kinda worries me; I know that there, I just got off saying that you don't wanna worry about the day-to-day fluctuations in the stock market. But I'm saying you really just wanna make sure that you're in the right allocation percentage roughly. So I would say, I wouldn't do more than 80%. So now, before the market "corrects itself", may be a good time to kinda take some money off the table from your stocks and put it into bonds, money market. That's just my two cents - I'm not a certified financial analyst, but just based on my over a decade of analysis and research and understanding and my own personal experience, I would say I would tone it down to maybe around 80% of your investment assets in stocks. The rest in safer investments.

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And that's a wrap guys. Joshua, Anthony, Camille, Gina, Amanda and Mindy, thank you so much for writing in and let me know if you have further questions. As always, to reach me, very simple; hop on to Somoneypodcast.com, click on "Ask Farnoosh", and there you can submit your question and every, as of now, every Saturday and Sunday I do answer your questions on the show. But starting September - that is September 18th - that is the first Friday where I will be doing Ask Farnoosh and turning the lights off on the weekends.

Thanks to all of you who wrote in supporting my decision to downsize the show's frequency. I'm very much looking forward to getting my weekends back. Thanks so much for tuning in everyone! Back tomorrow with another addition of Ask Farnoosh. Hope your Saturday is So Money!

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