EPISODE 231

[ASK FARNOOSH]

[00:00:30]

FT: Welcome back to So Money everyone. I'm your host Farnoosh Torabi. Hope you're having a wonderful weekend. This is Ask Farnoosh Sunday, August 30th. Really excited about the week ahead. I've got a jam-packed week of So Money Millennials, five outstanding 20-something, early 30-something year olds across America who are proving that you do not have to be a statistic when you are a millennial - a bad financial statistic.

As we know, a lot of young adults these days are grappling with financial basics. Unable to find jobs, and when they do unable to budget. Earn enough to really cover their costs. A lot of them are saddled with student loan debt, credit card debt. Incomes have been stagnant for over a decade. So the news is sobering, but this week will hopefully bring a lot of inspiration, a lot of encouragement to everybody, proving that youth is not wasted on the young. You can get ahead while you are young.

[00:01:27]

So let's move on now to our So Money questions. I've received several over the weekend, and answered a lot yesterday. So I have a few left. Gonna start with Nicole. She says:

N: “Hey Farnoosh, hope you're doing well living life after vacation!”

[00:01:40]

FT: Yes thank you Nicole. It has been a busy return to work, but yeah it was a great vacation. She says:

N: “I'm writing to ask if you can recommend an online service for resume reviews? I think mine could be fine-tuned a little and I'm looking for a personal recommendation for a service at or under $100. Thank you!”

[00:02:02]

FT: Hey Nicole, I do know that the National Resume Writers Association, the website is TheNRWA.com, has a database of certified resume writers and resume editors. So go on there and try to see if you can find a few names in your area and even just, of course, we can connect with people online. They don't have to be in your are. They could be across the globe. The most important thing is that you find someone who is certified. If you're going to invest in this, even if it is just $100, which is a lot of money, you wanna make sure that you're getting some substantial feedback and some feedback from someone who is really in this seriously. They're not just calling themselves a Resume Writer, with a capital R and a capital W. That they actually have gone through the channels to become certified.

I would also say, ask friends. Ask people that you know who may have been in hiring positions. People in your family, close friends who have come across resumes where they have been in a position to hire. And that's always invaluable advice too. It can't hurt to pass this on to some people that you know to give you some good feedback. So good luck with the job and let me know how it goes.

[00:03:12]

FT: Ephraim writes in and says:

E: “I love your podcast so very much.”

[00:03:15]

FT: Well thank you he says:

E: “I'm starting at number one and listening to them over, and over. Could you please have a web designer make your podcast much easier to go back to earlier shows. It is too cumbersome time inefficient to work one's way back to the earlier ones. Thank you.”

[00:03:33]

FT: Oo ouch, Ephraim. Okay so I don't know if you have, if you knew this, if you've noticed this, but at Somoneypodcast.com on the Home Page right before the latest episode. So today's episode is episode 230, above that you'll see a little line that says "View All Podcasts". Click on that and that'll take you to a page where you can literally see a list of every single podcast. You just click on whatever one you want to listen to and boom! You're there.

Another way to find a podcast that you really wanna listen to, if you know, "Oh my gosh I wanna listen to that famous Tony Robbins interview, or I wanna listen to some millionaires next door," you can scroll down and to the right, on the side bar, it says "Find a Podcast". Enter a first or last name or a keyword and hopefully you'll be directed to where you wanna be.

But can I make this easier? Maybe. I'm gonna talk to my developers about it and since I assume if you're finding this difficult, others might be as well. So thanks for the feedback and try that. I mean I dunno if you thought even the "View All Podcasts" click link was too cumbersome, but I hope that that does help you a little bit.

[00:04:43]

Ricky says:

R: “Hey Farnoosh, I'm a new listener to your podcast, started with the millionaires next door series last week. I was wondering how did they calculate how much they were saving? Was the savings percentage based on the take-home pay? And what should I consider my take home pay?”

[00:04:59]

FT: I don't know what that question means. I think you forgot a couple words there, but I assume it means like how much should you save based on your take home pay. I believe they calculated their savings from their pre-tax income. A lot of them were putting money into a 401(k) and as we know a 401(k) is money that is automatically distributed into an account before you pay taxes. It lowers your taxable income, so if they had access to those kinds of investment vehicles, they were taking advantage of them.

In general, when you think about saving money you think about the gross. You think about, "What's my gross pay? And I wanna save 10% of that." And of course you do have to pay for taxes, and you have to pay for Medicare and health insurance and things like that. But hopefully there's enough in the pot to go around for all of those things.

[00:05:42]

Colleen says:

C: "Hey Farnoosh! I am just jumping onto the personal finance bandwagon, and though I am a bit behind I am determined to become So Money! My question is: where do I start? I have almost $70,000 in student loans, a $5.000 car loan, and $3,000 in credit card debt. I recently moved across the country, so I have no emergency fund to speak of. How do I start to get this under control so I can be, one day, So Money?"

[00:06:08]

FT: Well Colleen, first things first. You gotta think about, "What is my take home pay? What after taxes will I have left to go for all these things that I just mentioned," from the student loans to the car loan to the credit card debt, and savings. I don't want savings to be an after thought; put that at the top of the to-do list. And from your net income, after you have paid Uncle Sam every paycheque, what's left? And at the minimum you have to pay those student loans, you have to pay the minimum on the car loan, and you have to pay the minimum on your credit card debt. So automatically get your chequing account to cover those minimum payments every single pay period. Don't ever fall behind. That's step one.

Step two is I want you to take up to, as close to, 10% of your income and put it away in a rainy day account until you have three months, four months of your living expenses accounted for. And once you've gotten that, you can stop because I want you to go back to being really aggressive with the debt. I want you to put more money towards the high interest rate credit card debt, and that car loan might have a high interest rate, I'm not sure. The student loans, maybe not.

For the next year make saving and debt a priority. And the key is to automate, number one, and two realize, "What is my most expensive debt? And that is the one that I'm gonna be most aggressive with. The one I'm gonna attack the most prominently." And my guess is the credit card debt, because typically credit cards carry the highest interest rates. And along the way, be very conservative about your spending. You are just, as you say, jumping onto the personal finance bandwagon. The more you can do now to be conservative, to follow as we've talked about on the show the financial austerity plan. Be conscious of your budget, be conscious of making sure that how you're spending is in line with your goals. And anything that falls outside of that zone, you just don't do. For as long as you can hold out.

Because you have a lot on your plate, I won't sugar cote it. So good question. I think automate, and get everything paid on time, every time to begin with. Save as much as you can until you have about that three month cushion, and then get more aggressive with the debt. Start putting double, triple, quadruple towards that credit card debt to get that out of the way as soon as possible. And then pretend that debt is still there, and make that same monthly payment towards the next debt, which might be the car loan. Get that out of the picture. And then the student loans. And hopefully that will get you on the path to being So Money. And stick with us, stay here, join the conversation, join the audience and let me know if you have anymore questions as we go on.

[00:08:56]

Rebekah says:

R: “Farnoosh, I love your podcast, especially your interview with Ramit Sethi. Would love to hear a second interview with you. Keep up the great work!”

[00:09:05]

FT: Well Rebekah, thank you. And Ramit, I just had coffee with him the other day. He's awesome. Everyone, do check out that interview. It's one of my favorite interviews with Ramit. And thank you, I'll think about doing another interview with me. I don't think I'm that interesting, but maybe it does merit another sit-down chit-chat. The first one I did was with Joel Saul-Sehy, he's the host of "Stacking Benjamins". He interviewed me. Maybe it's time for a second go at that?

[00:09:28]

Next we have a question from, I wanna say Euan. I apologize if I'm mispronouncing your name. He says:

E: “Great podcast Farnoosh. I recently found it from Joshua Sheets podcast, Radical Personal Finance, and have been speeding through the episodes during my commute. I'm a software developer and feel like the thing currently holding me back the most professionally is my lack of personal networking skills. Any advise on how to go about learning this? Keep up the great work!”

[00:09:55]

FT: Well I would say that when you think of networking, don't necessarily think of it as this awkward, cheesy way of meeting people. When I think of networking, I used to think of networking, to think of it as walking into a room full of strangers with the goal of passing out and collecting business cards and schmoozing and working the room. And honestly, that's not me and that's not most people I know. It's no fun. Even if you're the most out-going person, networking can be something that really makes people feel uncomfortable. I guess when we think of networking in that sort of traditional sense. But maybe you just need to reframe and re-think what networking really is.

If you think of networking as a way to help people, to connect with people, to share with them why you appreciate them and to approach meeting someone, whether it's online or in person, as a way to say, "Hey I really respect you, I really love what you do. I'd like to help you," I think that is a much more genuine way to start a conversation, to start an authentic relationship with someone. And by the way, this is advice that I hear time and time again from many of my guests who are extremely successful who may even consider themselves to be introverted, have found a way to really master this whole concept of networking.

They think of it as like this, "Okay, I wanna meet someone, but I don't wanna just go up to them and say, "Hi, my name is Farnoosh". I wanna say, "Hi, I love your work. I've been following what you do, I have these questions for you." Or, "Hey, I happened to have this business or I know someone who would love to work with you." It takes a little bit more effort this approach. You have to really study the person, understand what they care about, so you can really go forward with the best possible idea, ideas for connecting with them and starting a conversation. And you can do this over email; I get lots and lots of emails from listeners and also from publicists who wanna maybe get their guests on my show or wanna network with me. And I read almost every single email.

The ones that really stand out and the ones that I typically respond to - and this again these are emails from people that I don't even know, and they're networking with me. They're writing in and they say, "Farnoosh, I really appreciate and love your show, here's why: In this particular episode, I loved when you said this or I really appreciated this particular guest and here's why." And then they go into a little bit of who they are. They just say, "Thank you for the work that you do," and a lot of times that elicits a response from me because I really appreciate the time that they took to write that email.

And often they might end it with, "If you ever need help, if you're ever in my town, if you're ever thinking of exploring this particular area, which is my expertise please let me know." And better yet - this is really a home run - if they have been observing me and they've been listening to the show and maybe they know some of my concerns or some of my philosophies, or whatever, they get to know me pretty well from my work, my website, my Twitter feed, my podcast. They can actually maybe identify something that I need, some hep that I might appreciate. And so to take that chance and to write that into the email and say, "Hey by the way, if you ever need X,Y, or Z, please let me know because I would love to help you out with that."

Again, this is not easy. Networking well is not something that you can just do thoughtlessly. It has to be very careful and thoughtful and it has to really come across as authentic, and genuine. It's not about casting a wide net and throwing your business card on the table. It's about identifying the select people that you wanna meet, that you really appreciate, and leading with that. As opposed to saying, "Hi I'm Farnoosh, I love your work and I was hoping if you could do X, Y, or Z, or if you wanna meet for coffee." That's a really hard thing to convince someone to do, especially someone who's really busy.

So that's my advice for you. I think whether you're an introvert or an extrovert, like networking, not like networking, think of networking as an opportunity to connect with a select few people in a very authentic, genuine, and sincere way and I think you will be successful.

[00:14:17]

Matt says:

M: “Any advice on how to fire or get rid of a financial advisor in the most civil way possible? And if they're with a big firm, does one even need to deal with them directly? What steps typically have to be taken to transfer assets out?”

[00:14:31]

FT: Very good question Matt, and it's an interesting question that you pose. We talk a lot on the show about working with an advisor, hiring an advisor, what to look for in working with an advisor. Never talk about the possibility that you want out of the relationship that you may have with someone who is financially advising you. And there are a lot of articles on this online, and I really would refer you to The Wall Street Journal where I read an article there recently about this exact topic. The headline was something like "How to Fire Your Financial Advisor".

And understand, what the article said to me was, you gotta first understand that advisors are used to getting dumped. It's just part of their job. So don't worry so much about hurting their feelings or being the one client that year that leaves the firm. No, you're probably one of many. It's just part of business. And in fact they said in the article that 4-6% of investors change advisors every single year and that those figures are even higher of course during like a financial crisis. The article goes on to say if you're switching to a new advisor, the new firm that you're working with can often do the paperwork for you. And the process of shifting the assets, whether you're at a big firm or a small firm, could take about a week. And you can also ask your former broker to send you the file that they have of your personal financial information over to your new brokerage.

And as far as what you say when you're parting ways, you might wanna just say, "Look I really appreciate the work that you've done for me. I think I wanna go into a different direction. I wanna find a different team, a new team," and if they go on and ask you "Why?" You know what? Depends on how honest you wanna be. Do you wanna really tell them that you were unhappy with their returns or you didn't really feel a connection? You know what? Maybe you wanna say that. Maybe they deserve to know that because that will help improve their business and their relationships with future clients.

But if you just kind of wanna avoid that, that's your prerogative. And you can just say, "Well you know, I just, it is what it is. And I just wanna move one. And I would really appreciate if you could move my accounts over and here's the new address, here's the new phone number. Please contact so and so." Done! Again, don't get too concerned or wrapped up in, "Oh my gosh, will I be hurting their feelings?" They are used to this. People leave all the time. And one thing to keep in mind that I read in The Wall Street Journal article, which may be of interest to you or concern. Some advisors charge a fee to close an account, especially if it was open only for a limited period.

So definitely wanna ask if the new advisor, the new firm, the new financial planner could cover any termination fees. Kind of like when you're switching cell plans, there's like an early termination fee. But if you are going to a competitor, and they want your business, they may be willing to absorb those costs on your behalf in order to win your business. So don't hesitate to ask your new advisor if they'll be willing to go the extra mile for you.

[00:17:33]

FT: And we have a final question here from Liz and she says:

L: "I understand retirement accounts like 401(k) versus IRA's and choosing your investments based on how risk averse you are, but I don't understand what investments are. Like what are mutual funds versus index funds? Can you shed some light?"

[00:17:50]

FT: Sure thing. So very briefly, mutual funds are a basket of investments, typically wrapped under a theme where you might find a mutual fund that is a green mutual fund. So a variety of investments that are eco friendly or are in the green business. It could be an international mutual fund where the stocks inside the fund are international. So in short, a mutual fund is a fund of stocks, of a variety of stocks, typically under some kind of theme. Then you have an index fund, which is kind of like a mutual fund and it usually is a mutual fund or an exchange rated fund. The difference here is what an index fund really, it's goal is, is to replicate the movements of an index of a specific market.

So it could be indexed to the S&P 500, indexed to the Nikkei, the FTSE. Index funds are not really actively managed funds. Mutual funds tend to be more actively managed. And therefore the fees for index funds tend to be lower than the fees with mutual funds. If you wanna learn more about basic investing, I have some interviews on the show I've done with a couple of experts including Frank Curzio and Tim Sykes. Both are great interviews going more in depth into the investment world, especially for young adults novices. Both Frank and Tim are excellent and very experienced. So check out those two podcasts and you will learn a tremendous amount.

[00:19:28]

Thanks everyone for tuning in. That is a wrap. Looking forward to a whole week of So Money Millennials, young adults who are seizing their financial lives. Incredibly inspirational, so stay tuned for that. In the meantime, have a wonderful rest of your Sunday, and I hope it is So Money.

[END]