EPISODE 244

[ASK FARNOOSH]

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FT: Hey everyone, welcome back to So Money. I'm your host Farnoosh Torabi. This September 12th, Saturday, Ask Farnoosh time, and guys, it's the last Saturday of this podcast! We've been doing weekends since we launched in January, January 14th, 2015. Can you believe been like almost, my gosh, almost ten months! But to better manage my time and also to respect your time, I've heard from a lot of listeners that weekends are just not an easy time to listen to podcasts. I see it in the numbers too, we just don't see a lot of spike on Saturday and Sunday.

So decided to just please everybody and go for quality, not necessarily quantity, and just shut the lights off on Saturday and Sunday after this weekend. So starting on Monday we're gonna go to a five day per week format and also really excited to share with you that So Money has surpassed one million downloads. Woo-hoo! If I had some sounds effects I would play them, but I also can't really be too loud cause Evan is sleeping next door. So just wanted to share that with you and also share some other big news, which is that — now if you're on my email list you know this, and if you aren't I encourage you to get on the email list because that's when you get to hear all the good stuff and all the behind the scenes stuff.

But on Thursday I had the privilege and the honor of presenting at a major, major podcasting event. It was the IAB Podcast Upfront, the first ever where I got to introduce So Money in front of the country's top advertisers and media buyers. And the reason I was there was because — another big announcement — I just partnered with a company called "AdLarge Media". It is the fasted growing independent audio ad sales rep in the country, and they represent network, radio, digital, and mobile content providers, and increasingly, podcasts. And they approached me, they love the show, they think it's got a great demographic and they think they can help me take it to new heights and of course, find some sponsorships.

So coming soon to a So Money podcast near you, I think we're gonna be, hopefully — fingers crossed — finding some relevant and cooperative sponsors. That's the key right? You gotta find sponsors that make sense and are excited to be part of the show, and that I'm excited as well to feature them on the show. So stay tuned for all of that. [Breathe] Big breath!

Now before we get to all of your questions, lets head over to iTunes and see who left a kind, or not so kind, review this week. And I'm gonna select Brianna Jimmerson. She left a review on September 7th with five stars and says:

BJ: "This week's So Money Millennials were absolutely treasures."

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FT: So this is reflecting last week's shows.

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BJ: "This week I went from a casual fan to a listener who just has to download the latest episode every morning. As a millennial, [gulp] it's easy to set your financial agenda according to what you've seen, and it's easy to slip into the same unhealthy financial habits that you've seen before. Very encouraging! Also, I think I heard more female guests this week than in any other single week, ever! The face of entrepreneurship and good money habits is shifting every day. Keep that up!"

[00:03:50]

FT: Brianna, thank you so much for that review, and thank you for noticing that there were more women during that particular week. And it's effortless! I have to say, the financial space is predominantly male, it's not a secret. But as I've been revealing day after day, is that there are just as many women, if not more women who are proving to be financial heroes. And I think we can learn from everybody, and it's nice to know that this show can be a place for everybody to share their wins.

Thank you so much Brianna! Email me, farnoosh@somoneypodcast.com, click on Ask Farnoosh, and we will coordinate a time to get together and chat.

[00:04:33]

Alright, let's head over to our questions. First one here is from Corin. She says:

C: “My sister is a social worker in SoCal with no debt and is living with our parents rent free. She has retirement accounts and $50,000 saved for a house. My parents are financially stable — not drawing from retirement for this — and want to help her purchase a home. She works in LA and the market is very hard. Options we've found are, help with downpayment, shared property ownership, rent-to-own from parents, co-signing mortgage, etc. With the parents support, goal is better house/safer neighborhood than she could do alone. Thanks and love the podcast!”

[00:05:17]

FT: Well there's no question here Corin, but I suspect that you're wondering what I think about this strategy, or strategies. You know, my parents helped me buy my first home in New York City. I've admitted this openly, it's in my first book. I don't pretend that I did it all on my own, but I was able to pay them back over time. And I think that if you can arrange a situation with your family, with your parents where they can, without putting themselves in a financial bind, help you the child, purchase a home if that's what you want, then I don't think that's a problem. It's just really a matter of figuring out the best arrangement. Sometimes it's easier to just help with the downpayment, and then the child pays back the parents over time. Maybe you come up with an arrangement where it's a monthly payment, maybe it's got interest?

Shared property ownership could be a little stickier because then you've got the parents and the child making decisions about everything together, and that can get hairy. So I'm not sure! If their relationship is good and solid, maybe that will be okay. But just the idea of that kind of makes me nervous. Rent-to-own from parents, again this could be an option. Although, just remember that if you're renting, you're not building credit. And then co-signing the mortgage — you know, I'm not a fan of co-signing. I just feel as though it's again entering a "what if". What if Corin, your sister can't pay the mortgage? Then your parents are stuck with the entire mortgage payment, and that might be too much for them.

So really it's about understanding what the risks are in each of these scenarios, what the hope is — like what your sister wants to get out of this in the end. Does she wanna build credit? Does she wanna be able to have her own say over what happens to the house? If she wants to remodel, redecorate, add an addition, does she have to get her parents' approval? If they're doing shared property ownership or rent-to-own, she may have to. And if that's not cool, then I think a simple help with the downpayment and then a repayment plan, I think that might be the simplest arrangement.

So my two cents as somebody who has benefited from mom and dad in the early days with buying my first apartment. It worked out! Doesn't always work out, but it worked out and I'm thankful for it.

[00:07:32]

AJ says:

AJ: "What steps do I need to take to rent my house?"

[00:07:35]

FT: Lots of real estate questions this weekend. He says:

AJ: "I'm planning on moving and think it would be a better investment to rent it out. Should I engage a propriety manger. If so, how do I find one?"

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FT: AJ, I don't think your first step should be to find a manager because often you don't need one, unless you're living way out of time, really far from your home that you're gonna be renting out and you just don't have time to be accessible to your renter. And remember, a proprietary manager does usually take a percentage of the rent every month. Sometimes it's 5%, it could be as high as 10%. I've been through this as well. So I would just say, first things first, if you want to rent out your house start by looking at rental prices in your neighborhood for homes that are similar in size to get a sense of what you could earn every month. And will you be cash flow positive after you've accounted for your mortgage, and perhaps your utilities, and your taxes. So that is your first step, to see even if this is something that is financially viable, that makes sense.

If it does, then you wanna start to find some eligible renters. And for this you may wanna go it alone and put some ads out there and you might wanna do this for the first four weeks, five weeks. If you're not successful, then you may want to work with a broker. From there, if you're gonna be too far away and/or you just don't wanna deal with the headache of being a landlord, even if you're just living upstairs or next door, yeah you can certainly think about engaging a manager. Online searches are a good place to start, check with the Better Business Bureau though, to make sure that whoever you're considering is in good standing with the BBB. And if you belong to a Community LISTSERV, I suggest going there and asking for referrals, putting in the subject line, "Renting My Apartment, Do You Know Any Management Companies? Or Property Mangers?" See if anyone in the neighborhood offers any recommendations. I think personal referrals often work best. It's a great place to start.

And that's what I would say about that. Good luck, but really, really important that renting your home out is gonna be cash flow positive. So do the math first, and then start looking for the people that could help you find a great renter.

[00:09:48]

Dorothy says:

D: “In the September issue of Women's Health magazine you gave advice about using debit versus credit cards. Now from an IT security and safety perspective, you should never use your ATM or debit card unless you are at an ATM. If someone steals your credit card information the bank is legally obligated to replace your money. Where as if someone steals your debit card information, you can have your entire account wiped out and the bank is not responsible. Please pass on to your readers.”

[00:10:22]

FT: Thanks Dorothy. Well I do think I did caution against using debit cards in that women's health article. What you're saying is that you should never use your ATM or debit card unless you're at an ATM. But guess what? Even if you're at an ATM, your card could get skimmed. You know there are skimmers out there. Your card could get skimmed and replicated and hackers, fraudsters could still hack your ATM card or your debt card.

Now here's the thing though about banks not being responsible, that's not quite true. If you report an ATM or debit card missing before someone uses it, the EFTA says you are not responsible for any unauthorized transactions. And if someone uses your ATM or debit card before you report it lost or stolen, your liability then depends on how quickly you report it. So unlike your credit card, which is zero liability, your debit card liability in the event of a theft or fraud depends on how quickly you report said fraud or theft. And the bottom line is the sooner, the more likely you will not be liable.

I appreciate your followup to that article, I just wanna clarify a few things from that. But in general, I'm a big fan of just using your credit card if you've got the choice of a credit or debit card. I actually had my wallet stolen a month ago. I was shopping at a major retailer, had my wallet in my son's stroller, and someone lifted the wallet out of the stroller while I wasn't paying attention. Can you believe it? They came close to the stroller. Close enough where they were close to my son, I was probably just looking the other direction, these people are professional. Later only to find out that this particular store has a jail inside the store because they have so many thieves running around.

Well I went home and found that this person had spent over $500 on my credit card. Call the credit card company, they immediately high lighted that and did not make me responsible for it. And I proceeded to call all the other card companies. And here's a tip — this is kind of a tangent, but here's a tip: if your card ever gets stolen, whether it's the debit card or credit card, and let's say your wallet gets stolen so you have multiple things to sort of follow up on, you can call the 800 number and report it but sometimes that takes too long, in my experience. Like I'm pressing 2, then I'm pressing 3, then I'm pressing *, then I want English. And I'm like, "Okay," then you reach the customer service representative and, "We are closed". It's like, "Wait a minute? Emergency!"

So just go online. A lot of times these big banks have 24/7 chat rooms where you can connect with a representative via chat instantly, tell them your situation and they will work with you. And I did that, I had multiple windows up and I was working simultaneously to basically stop my credit cards from being active. That was a really big help. Anyway, that's more information than you wanted Dorothy, but I think what you brought up was a really interesting point. If any of you have questions about this, send them in to SoMoneyPodcast.com, click on "Ask Farnoosh".

[00:13:27]

Joe says:

J: “I have an extreme early retirement plan. We save about 70% of our income.”

[00:13:33]

FT: Wow! So similar to Mrs. Frugalwoods this week, on Monday. She talks about how she's retiring in her 30's soon and she and her husband save about 70% of their income as well. Joe says:

J: “After maxing out our tax advantage accounts, where should we save the rest? Taxable accounts? Roth? Is it possible to have both types? It's been so easy to max out the IRA and the 401(k), but now that we've finished, we don't know what to do. Any suggestions?”

[00:14:03]

FT: Well Joe, I do like the Roth. If you're not doing a Roth you should do the Roth. And yes, you can do the traditional IRA and a Roth IRA at the same time. From there, think about taxable accounts. But if you're saving 70% of your income, you're gonna be fine. Like you should just put that, some of that at least, in cash. Right? Cause you're gonna need some cash. But I would say, Roth, then the taxable account.

[00:14:28]

Kelly says:

K: “Hey Farnoosh, I was listening to your interview with Sophia Bera and I wanted to add to her experience she had with her parents for saving money. My parents found out early on that my brother was going to be a notorious spender and had no interest in delaying gratification. They set up early on if he wanted something that he had to pay for it with money he earned — like chores or special projects — and he had to put that same amount into his savings account. So, if he wanted a toy that was $20 he had to have $40 before he could buy it.”

[00:15:02]

FT: Wow that's pretty brilliant. That actually sparks interest in me writing another article about money and kids because I've never heard this lesson before. Like up the ante - if your kid wants a toy, not only make him save up for it, but make sure that he's got double the amount. That is delaying gratification on crack!

Kelly, how's your brother doing these days? Did it work? Follow up and let us know.

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FT: And last question here from Jesse, says:

J: “Hey Farnoosh. My name is Jesse and just this year I was able to pay off my student loans, making me finally debt-free for the first time in a long time. Unfortunately, money management was not something I learned growing up, learning the hard way after taking on a bunch of college loan debt. My parents actually still have student loan debt and I've been wondering, can you inherit your parents' student loan debt after they pass? Kind of a morbid thought but just something that came up after telling them I was college debt-free. Love your show!”

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FT: Well Jesse, first of all, high five for paying down your student loans. Huge accomplishment! You should be really proud — So Money! Now, payment for Federally Insured student loans — so if your parents have government loans those are not due upon the borrowers death. Those are waived. Now that is not the case with most private loans. So first thing to decide, first thing to figure out is, do they have private loans? Do they have public loans? Maybe it's a mix?

Now, some private lenders are beginning to institute loan forgiveness programs in the event of death or even permanent disability, but a lot don't. So it's really important to followup with your parents' lender, if it's a private lender, and find out what their particular policy is. Sometimes what might happen is, if the person dies and they have a will, then the lender may come after their estate. And if the estate was left to you, the child, then the private lender may wanna get paid from the estate. So bottom line, the only way of knowing the consequence is by asking the lender directly, "What happens?" And you'll have your answer.

If I knew who the lender was, I would've made the phone call for you, but you didn't tell me so put that on your to-do list this week, okay?

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Alright, thank you so much everyone for all of your questions; Jesse, and Kelly, and Joe, and Dorothy, and Corin. Tomorrow, another fabulous episode of Ask Farnoosh awaits us, and it is our last. Our last Sunday episode, I'm gonna make it a good one, I promise. And looking forward to our five day week ahead.

Thanks so much for tuning in everyone. As a reminder, if you'd like to ask me any further questions, SoMoneyPodcast.com is the website, click on "Ask Farnoosh", and that's where we shall meet. In the mean time, hope your day is So Money.

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