

EPISODE 245

[ASK FARNOOSH]

[00:00:30]

FT: Welcome back to So Money everyone. I'm your host Farnoosh Torabi. You're listening to Ask Farnoosh this Sunday, September 13th, and it is a special Sunday because this is the final Sunday when an Ask Farnoosh will air. We're putting to rest the Saturday and Sunday episodes this weekend. If you've been listening to the show for some time, you know this has been some time coming. I've been discussing, mulling, asking you what you think about the format, the frequency, and we've decided to go from seven days down to five. So Mondays through Fridays from here on out instead of all days of the week. And I think that's gonna be a smart move. We shall see, and who knows? Maybe we'll revert back to the seven day per week format. I personally hope not, because I like having some time, some free time during the week. Just a little, you know, to have lunch and catch my breath. [Laughs]

It's been a fun ride everyone, these seven day per week formats, but everything good has to come to an end at some point. And really excited, as I mentioned yesterday, that coming soon to this podcast will probably we some sponsorship. I've partnered with AdLarge Media that's gonna help to further distribute this podcast to many, many more audiences and ears, and in the process try to find us a great sponsor or sponsors. So stay tuned for all of that, and let's shift gears now to our questions, which is why we are here, starting with Julianne. Julianne says:

J: "Hey Farnoosh, I've really taken your financial mantra of "make more or spend less" to heart and I've started doing both! I am an Interior Designer, and have started doing residential interior design projects as freelancer. With that, however, comes the responsibility of claiming that additional income and paying taxes. Just wondering if you could give an overview of how much I will need to set aside for taxes, how claim them and pay taxes on that income, and what can be written off as an expense at the end of the year. Basically, a Taxes 101 for freelancers. Thanks!"

[00:02:39]

FT: Alright Julianne, congratulations! Living the life, being So Money. Good for you! I feel like this is really the sweet spot for you, you're making more, you're doing what you want, you're pursuing your passion. Good for you. Excellent, great to hear! Thanks for sharing that.

Now, yeah taxes are gonna be a big issue for you now because you're bringing in this extra income, you obviously will have some expenses to go along with this business. First things first, really important that you keep a record of all of your expenses and all of your income on a spreadsheet, keep the receipts. I'm don't know if you're at the level now where you would need a bookkeeper, perhaps it's simple enough that you can just do this in Excel or a software. And just be really, really diligent and militant about keeping track of every dollar and cent. Because when it comes to your taxes, the only thing that's gonna protect you in the event of an audit or question from the IRS, is your paper trail. So make sure that you're very, very conscious of that.

As far as how much you might need to prepare to give over to Uncle Sam, you know my rule of thumb is if you are making side income that you should assume about a 30 to 40% cut, and this is from your adjustable gross income. So after you've deducted all of your related expenses, and for you as an interior designer, this could be everything from your office space, to the gas, your mileage going from meeting to meeting, supplies, perhaps even some of your cellphone bill, professional membership dues, license renewals, materials, this all may be tax deductible. And I might even recommend that you work with a CPA, an accountant who could help you file your taxes and who perhaps knows your industry well. So talk to other interior designers and say, "Hey, do you have a tax person that you like? That you trust? That's done well for you? I'd like to meet this person and think about, and talk about working together and helping me stay organized and on top of my taxes."

I think that answered all your questions, basically speaking. But again, I would also think seriously about working with a CPA who can help you tabulate what your taxes will be. Really excited for you Julianne. This is excellent that you're bringing in extra money and you're doing what you love. Rock on, girl!

[00:04:59]

Next up we have a question from Ndumiso.

N: “Thanks for your podcast Farnoosh. I'm from Zimbabwe and I find your discussions very relevant, even though I am from a different country and "money culture".”

[00:05:09]

FT: Wow! All the way from Zimbabwe! Thank you so much for your listenership. This is huge that we are reaching so far in the world. My gosh guys, if anyone out there wants to reach people, a podcast is a great way to do it apparently. He says:

N: “I only started listening a month ago but I never miss an episode and I am working through some of the old episodes as well. My question is, is there a rule of thumb when budgeting annual vacations? For example spending no more than one month's salary on vacations? What would be the best way to determine what you can afford and what you can't. Thank you.”

[00:05:46]

FT: Well, this is a really good question. First I wanna say, I'm glad you're thinking about vacation. We don't take our vacations enough in this country and I don't know how it's like in Zimbabwe, but in America we are workaholics and we don't take our vacation days. So if you're thinking about vacation, good for you. I see this as a discretionary expense and within your budget, after you account for things like debt — if you've got it — saving, and your bills, then you have what's left as discretionary spending. And vacations are discretionary.

I wouldn't say a whole month's budget towards a vacation, but I say up to 5% for vacations, as well as other things like entertainment and outings. So if you make \$100,000 a year, which many of my So Money listeners do, that's \$5,000 on a vacation. Which, for a week, you could go somewhere nice with \$5,000. You could of course spend more, I'm not saying you can only spend \$5,000, but that's a good rule of thumb as you're asking, "What is a good rule of thumb." So up to 5%.

Good news is, if you don't have debt, that discretionary budget can only be bigger. That's an incentive for all of you who are in debt, to get out of debt so that you can start to really enjoy life to the fullest. Good question, thank you!

[00:07:06]

Leah writes in and says:

L: “Hey Farnoosh, love the podcast! It has made me serious about getting my act together. My lease is up soon & I'm considering moving back home with my parents and commuting for a few months to pay down debt. They live about one and half to two hours away from my job.”

[00:07:22]

FT: Yikes!

[00:07:23]

L: “Don't think I'll be able to find any similar work close to them. Trying to weigh my options & figure out if it will be worth it for me or should I just stay here. I have \$4,000 in debt with credit and car payment, more with student loans. I would be saving at least \$1,000 a month and will be able to add \$450 more when I pay off my car in December. Any advice?”

[00:07:45]

FT: Go back home Leah. And hour and a half to two hours away from your job is no fun, I'm not gonna sugar coat that. You know it, it's gonna be a little cumbersome, very cumbersome potentially. But also think about the fact that you could listen to podcasts while you're driving, you can enrich yourself during that hour and half to two hours. It doesn't have to be just sitting in traffic. And if you're on a train, even better, because then you could be on your laptop, you could be reading a book, you could be doing work. So there are ways to perhaps make that hour and half to two hours more productive and not seem like such a waste.

But to hear what you're saying, that you're gonna be able to be debt-free within four months, at least of the credit cards, and then you'll be able to add even more towards your car payment, I say, "live with your parents for six months to a year. Stretch it out even a little bit longer so that you can start to actually save once you're out of debt. And you can exit mom and dad's house with a nice little nest egg. Because then when you go to get your own place, you'll be in a much better position, landlords will be fighting over you, you're gonna have good credit, you're not gonna have debt, you're gonna have savings, you're gonna be and feel more independent.

So think of this as just a little bit of an investment of your time. But I think that this is a fine, and smart investment in your life right now so that you can recover financially and get ahead quickly. Four months is gonna fly by! Especially if you're listening to this podcast, I promise you. If you've got more questions while you're living at mom and dad's and you got questions and you wanna maybe you want some company, write to me, I will answer your questions. Okay Leah? But thank you so much for this one, and I will be looking out for you.

[00:09:26]

Maggie says:

M: "Hey Farnoosh, Have you considered interviewing the founder of Acorns? I recently downloaded the app and have been investing minimal amounts but don't know a lot about the app. I would like to know more before investing more into the app. Thanks!"

[00:09:39]

FT: Maggie, good call! I'm gonna put Acorn's founder on the list. We've had several founders of FinTech, in the FinTech community, here on So Money. We've had John Stein from Betterment, Ethan Bloch of Digit, and sure I'd love to learn more about Acorns. You're not the first person to bring this up to me, and I have been curious about it as well. So consider it done! I'm gonna reach out to them. Hopefully, hopefully, you know not everyone says "yes" with open arms coming running to the show. But I know this is a bit of a time commitment for people, especially if you're out running a company, a 30 minute time frame for you could be very valuable time. So

I will try my best Maggie, and get the founder of Acorns on the show. So stay tuned for that, hopefully.

[00:10:22]

Rebekah says:

R: “Farnoosh, I Love your podcast and I would love for you to do another interview with Ramit Sethi. I first heard him on So Money and ran out to get his book. Well actually I bought it on Amazon, but since then, I’m on the hunt for other podcasts that interview him. Your interview was hands-down the best and I would love to hear more of his philosophy. Keep up the great work, Farnoosh. I recommend your podcast all the time to my family, friends and colleagues.”

[00:10:48]

FT: Hey Rebekah, did you listen to Nagina's interview? She's his sister. Nagina Sethi Abdullah, on the podcast, actually before I had Ramit on. So if you wanna learn more about Ramit, I actually ask her about Ramit [Laughs] cause they grew up together and they are several siblings, and she had some really cute anecdotes and stories to share about her brother and growing up with him. And thank you for saying that that was the best interview you've heard with him. He's been on, I believe, James Altucher's podcast. I know James is a great interviewer, and so if you haven't checked that out, do download the Altucher podcast with Ramit Sethi.

I'm not sure if Ramit's gonna come back any time soon. He's busy, and I think the reason that maybe our rapport was good and you liked it is cause we're actually friends. We have coffee from time to time and I really value his friendship, and I think it maybe had shown on the show. Although, I hesitate to ask him again because — I know he might just because he wants to be nice, but the man's got a lot on his plate and I'm just grateful that he was able to grace our show once, and maybe in the future we'll have him back, but I'll leave it to him.

And I will let him know for sure, Rebekah, that you are a fan. I assume you've already subscribed to his website. I subscribe, and I have to say it's really fun to receive his emails. He

writes some pretty fun and funny emails, also really useful emails. So Rebekah, thank you for that and I will pass on your note.

[00:12:19]

That's a wrap everyone. Our last Sunday for Ask Farnoosh. Tomorrow kicks off a new format for this podcast, Monday through Friday. Monday through Thursday we'll do interviews, Friday will be Ask Farnoosh time. Stay tuned to tomorrow's show. We have Mimi Ikonn on the show. If any of you are YouTube stalkers, like to have your favorite channels on YouTube, you want to subscribe to the Mimi Ikonn Channel. That's Mimi, and then Ikon is I-k-o-n-n. She's an entrepreneur who has her own hair extension and hair care line, but also is a phenomenal marketer on YouTube.

Her shows, I'm telling you, hundreds of thousands of people watching her for simple things, like her morning and evening routine. Yeah! I mean, simple things do very well on social media and YouTube. You don't have to overthink it, she does it exceptionally well and she talks about how she's able to build an audience through social media, particularly YouTube, to then fuel her business. So if you're an entrepreneur on the show listening, this is an episode you don't wanna miss.

Thanks to everyone for your questions, Rebekah, Maggie, Leah, Ndumiso, Julianne. Have a great rest of your Sunday. Hope it's So Money!

[END]