EPISODE 280

[ASK FARNOOSH]

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FT: Welcome back to So Money everyone! It's Ask Farnoosh time. How is your week going? I've had a pretty eventful week. On Tuesday I went to Lewis Howes' book party. He came out with his new book, brand new book, called *The School of Greatness*. This Tuesday in fact, he was on the podcast, and I saw him at his book party, and I'm still looking to see who's leaving comments on his blog pos page at SoMoneyPodcast.com where you can listen to the podcast but also leave a comment. I'm selecting 20 people from the comment section to win a free copy of Lewis' book. So if you haven't left a comment yet, do it by the end of today, Friday, and I will announce the winners soon. Over the weekend, or by Monday, alright? Hope you win!

So we have a lot of questions to tackle this Friday, and some comments too. Lots of people writing in, asking me about whether I could have a few of their favorite people on the show. Hey, I'm all for that! Let me know who you want on the show and we'll make it happen, I'll try.

Let's start with a question here from Vanessa. She says:

V: "Hey Farnoosh, I love your podcast."

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FT: Thanks Vanessa! She says:

V: "I just got a government job. I'm gonna be making $75,000 a year. I currently live at home but my boyfriend and I are planning on moving into a house together soon that we will rent for $1,000 within the LA County. We are in our early 30's and we wanna buy a house in three to five years. I have an emergency fund of $10,000. I will start saving in earnest for a house now that the emergency fund is substantial. In terms of retirement, I have $10,000 in a Roth IRA, $20,000 in 401(k) that I can't wait to roll over to my new job. Should I stop contributing to my Roth and focus on my new 401(k)? Should I be maximizing my 401(k) before even thinking of contributing to my Roth? Any tips in genera?"

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FT: You know, honestly it depends on the 401(k) that you have at your job or your current job, your new job. I like to see that if a company is offering an employee match where you put in some money and then they match that to a percentage to a limit, I like that. That's unmatched anywhere. That's not something that you can get out of a Roth IRA. That's free money that is unique to that 401(k). So take advantage of that, and at least take advantage of the 401(k) to earn the full match.

From there it's really up to you how you wanna spread the retirement love. Think about it like this, do you anticipate your taxes going up as you enter retirement? And for many people that answer to that is, "Yes." And if that is the case, you don't want to neglect a Roth IRA. And remember, with a Roth IRA, you phase out after a certain income level. So if that is on the horizon and you've got maybe a couple of years before you anticipate earning out of the Roth IRA, maybe take advantage of it now while you can. But with the 401(k) if there is a match, take advantage of that.

And then from there, you can be a little more selective, "Do I want Roth? 401(k)?" It's really a personal choice. And as I've had many guests on this show who are certified financial planners, I think they would agree with me, they've said this before. It really comes down to the tax advantage that you prefer currently and in the future. With a 401(k), that contribution reduces your taxable income today, but then you pay taxes on the withdrawals in the retirement. Roth IRA, you get taxed on that today and then it can be withdrawn in retirement tax-free.

So that's really what you need to think about. I like to kind of do a hybrid approach if you can. Try to do a little bit of both, only because it's nice to have the tax diversification. And good luck with the house!

[00:04:13]

Marta says:

M: "Hey Farnoosh, it might be a long shot, but it would be so cool if you could have Chris Hardwick on your podcast. He has his own podcast called *The Nerdist* and on it he has talked about how he used to be living paycheck to paycheck and I would love to hear him talk about how he turned that into the Nerdist Empire. He has a book called *The Nerdist Way*, and he always says, "Just make the thing," on his podcast. Meaning he wants people to go out there and create. I think he would be a fun and engaging guest for your show. Thank you for all your hard work and commitment. It makes a difference for people like me, as we move to a more financially savvy way of life."

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FT: Well Marta, thank you! And I don't know if you work for Chris, but you did quite the publicity job and I thank you for that. I'm gonna reach out. I will reach out to him and it sounds like he has a very applicable and interesting story for us. So consider it in the works.

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Holly says:

H: "New to the podcast and loving it! Excited to see you interview Nicole Lapin early on. I loved her book," -

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FT: I know! Wasn't it great? The book's called, "Rich Bitch".

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H: "Wondering if you might interview Adda of Skillcrush? I'm not sure what her financial status is, but she's all about empowerment in general, and I would like to hear your interview with her, if it isn't too far outside your scope."

[00:05:29]

FT: Well really there's no scope here on So Money! I have a very wide net and I like talking to people from all walks of life, all disciplines, but most importantly the guest has to be open to talking about money and their own financial experiences. So if she's game, I'm game! Thanks for the tip Holly.

[00:05:48]

Paul says:

P: "Hey Farnoosh, I purchased $100 of Nokia stock based on a random hunch at $1.71 a share. And the share price has been $7-$8 for the last year. My question is, when do people sell stocks? I'm wondering, what are the different philosophies around when to sell?"

[00:06:07]

FT: Well Paul, I'm not a stock picker, I'm not an advice giver around stocks, individual stocks. I think you did very well with your purchase of Nokia, starting out at $1.71, now it's at $7 - $8. As a future guest of mine, he will be on the show later this month. We have it scheduled, and you're not even gonna believe who I'm gonna say, but Jim Kramer's coming on So Money in a few weeks! And I remember Jim always use to say, "Pigs get slaughtered." Which is to say that I think once you feel like you've made out well with your investment, it's time to let it go a little bit. Maybe not all of it, but it's time to maybe sell and buy low something else.

And again, this isn't my scientific advise for you or my certified advice, this is just what I've been schooled in and what Jim - maybe he can answer your question more specifically? You know what? I'll save your question for him and I'll ask it. Generally I'll say, "You know, when do you typically advise people to sell? Is there a rule of thumb?" See what he has to say. So consider this a "to be determined", and I will follow up with Jim Kramer. So stay tuned for that episode.

[00:07:16]

Kate says:

K: "Hey Farnoosh, I work for a non profit, which qualifies me for the public service loan forgiveness program for student loans. If I make 10 years worth of on-time income-based payments while employed full time by a non profit, the remainder of my debt will be forgiven after the 10 years. I currently have three years of qualified service and my payments are so low, they basically just cover the interest, while my principle is about $60,000. Would switching to a for-profit job and losing my PSLF eligibility increase the pay back time on my loan or compromise future financial security, even if it provides potentially higher income? I will be 35 when the loan can be forgiven. With marriage, children, or buying a home possibly happening around the same time, is a program like PSLF a financially responsible choice? I'd love to hear your perspective."

[00:08:10]

FT: So Kate, I think taking a step back, very simply, that you wanna pursue work that you love, that you are passionate about, that can make you money, the money that you deserve. And if you are stuck in a job simply because you're able to bank on a public service loan forgiveness program, I'm not sure you wanna spend another seven years in a job that you're not liking, that you're not feeling fulfilled at, that also isn't paying you enough. You know, seven years is a long time to not change jobs, especially if you're in a job that isn't paying well.

And so really think about long term; yes, you're gonna lose out on this ability to get your loans forgiven, but if you can make the leap to another job that A) you love, that you're gonna be happy at, you're gonna be more motivated at, and B) a job that's gonna pay you more - a lot more than what you're making now. Or if not, at least enough where you can start to pay more than just interest on the debt. You can make that principle payment too, then do it. Because I think long term this is what's gonna make you more fulfilled, and it will affectively, inherently, get you to be more in control of your finances.

Because right now you're just kind of like on the minimum bandwagon, and you're paying the minimum, and you're hoping that you'll be forgiven in 10 years, and you're not really taking control of the $60,000. And you know what? Own it! Get the job that you want, make the money you deserve, and own that debt, and get it out of the picture in another way, on your own. Make a little bit more of a payment every month, get it done in 10 years, you can do it! I think you can do it. And I just don't wanna give you advice that's gonna have you stuck in a job that you don't love just so that you can benefit from this government program.

I would rather see you make more money, get the job you want, and figure out a new way to pay down this loan in good time. And you'll still get to get married, you'll still get to have children, you can still buy the home. Stick with me, okay? Let me know how I can keep on helping you, because I think that it's an easy choice to make to stay at the job that you have, it's harder one to leave but it's a better one in the long run. That's just my thought.

[00:10:31]

Okay, Julianna - this is our last question - she says:

J: "Hey Farnoosh, love your podcast! I remember you mentioning some negotiating tactics like always asking, "Do you make an exception?" And I would love to hear you interviewing Stuart Diamond about these and other negotiating strategies. I'd be curious about his money philosophy too. Keep up the great work!"

[00:10:48]

FT: Well, Julianna, thank you for that. Stuart Diamond is somebody whom I have interviewed in the past, that's how I learned about this trick of asking retailers and anyone that you're in a negotiation with who's being difficult or saying, "no" to say, "Hey well, have you ever made an exception? Can you make an exception for me?" That little question can sometimes really change the outcome for you.

And Stuart Diamond is an expert on negotiating. He's a professor at Wharton, at the University of Pennsylvania, he's written a book about this. And so he has a lot of advice around negotiating, whether you're negotiating at the store, you're negotiating at a job, you're negotiating for a mortgage. I mean he's got so many interesting lessons and real life tips. And so yeah, I would love to reach out to Stuart. Thanks for reminding me. He would make a great So Money guest!

Thanks everyone for tuning in! Listen, all this is at SoMoneyPodcast.com. I would love for you to stop over, grab your free E-book if you haven't already. Sign up for the newsletter, grab your free E-book, and remember you can send me your questions. Click on "Ask Farnoosh" when you're at SoMoneyPodcast.com, and I will save it for the Friday episodes where usually I do bring on a guest to tag-team with me to sift through your questions. Today it's just me going solo.

And by the way, if you haven't yet, leave a comment for Lewis Howes' podcast at SoMoneyPodcast.com, and I will be looking through those and picking our 20 lucky book winners.

Thanks so much for tuning in everyone. Happy Friday! Hope your day is So Money.

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