EPISODE 340

[SPONSOR MESSAGE]

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[ASK FARNOOSH]

[0:00:42.7]

FT: Welcome back to So Money everyone. TGIF. I'm your host Farnoosh Torabi. This is Ask Farnoosh where I get the chance to hear what's on your money mind and we've got a lot of questions to tackle this Friday. Just want to say, I'm really happy to be back home. I've been in New York this whole week after having been traveling the week prior I was in Los Angeles and I was in Austin.

As many of you know, I've been telling you that I've been filming this really exciting new CNBC show. It's called Follow the Leader, it premiers March 23rd at 10 PM so set your DVR's or watch it live, whatever is your style and it's been a phenomenal experience so far. We're in the midst of filming still.

But last week I had the privilege of following John Paul DeJoria, he's the cofounder of Paul Mitchell Systems and also Patron Tequila and many other companies. He and I went to business meetings, we went to his house, we flew on his private jet, I went to his ranch, I met his kids, I met his wife, I rode in his Tesla, I rode in his antique car. It was quite the adventure but I'd have to say, after all of that and I didn't know that I was even going to feel this way but I just really felt happy with my life.

I was left feeling very content and very grateful for the life that Tim and I have and share with our son Evan. I just felt that while it's so nice to experience wealth at that level, even if I was just sort of a fly on the wall and experiencing it through him and with him, it was a reminder that family is number one.

He has a beautiful family too, John Paul. He's got a great wife and great kids. But for whatever reason, I wasn't left feeling, "Oh I wish this was my life or I wish that I had what he had." Of course it would be nice to have a personal chef and to drive beautiful cars and have land but I like my life, I really do.

Someday maybe I will have all those things but it's not — that's not what's really the goal for me and maybe someone out there want to psychoanalyze me, I don't really know why I feel the way that I do. You would think that you'd see this person's life and go, "My gosh, if only, if only that were me.: For some reason I just felt more grateful, more happy, more content with my life. I think because it's a good life too. I really appreciate what I've accomplished and the life that Tim and I have built for ourselves.

Anyway, just my little rant on my week with the billionaire. You're going to have to see it all when it premiers, it's really exciting and I learned so much about what it takes to start a business, to grow it, what it means to have a billion dollar business. How do you run that sort of business and lots more. Stay tuned for CNBC, March 23rd at 10 PM eastern and pacific. Let's get to our questions for this Friday.

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Iadelle writes in and says:

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I: "Hey Farnoosh, I just want to reach out and tell you how amazing I think your podcast is."

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FT: Well, thank you very much, I appreciate that.

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I: "I've been listening for only a week and catching up on all the back episodes but you've literally changed my life and are contributing to changing the way that my mind considers money. I cannot thank you enough."

[0:04:10]

FT: Well I thank you for listening, I wouldn't have the show if it wasn't for you. And goes on to say that:

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I: "I'm currently working my nine to five but transitioning to entrepreneurship this year and I want to negotiate more money while I'm still employed. In one of your episodes with Jacki Zehner where you mentioned that you talk often about how to ask your boss for a raise. Where can I learn more about how to do this effectively, please?"

[0:04:35]

FT: Well Iadelle, listen to this podcast, there's been a lot of conversations around asking for a raise on this show, I talked with Leah Goldman who is the co-executive editor of Marie Claire, check out that episode, we talk about asking for more. Also with Amanda Steinberg who is the founder of Daily Worth, talked with her about asking for a raise and I've written about this as well.

Go to my website, Farnoosh.TV and click on, well actually search for raise or negotiate and you'll more than likely find some of my content around that. I think what else you can do is you can go on websites like pay scale and glassdoor.com. There, what you'll be able to discover is data around your job description, salary data around your job description given where you live, your experience and the industry that you're in.

You can usually find some average salaries for your position and you can see where you are around that average. Are you above average, are you below average or you're right in the middle? That's good background and context for you when you go in to ask for the raise and shown that you've done some market research.

The other thing that I think you should do is go to your Human Resources department and ask them to provide you with your salary range. Your salary range is essentially the low to high of your salary in your job role. If you are for example the senior producer at a network. Then your salary may start at X and it can go to Y.

Depending on where you are on that range, on that scale, that's also good for you to know, it's good perspective. I did this for myself when I was at New York One News and I was a producer and I wanted to know what the potential was for income for my position and a lot of people don't even know that's information that you most likely have access to and have the right to know, it's just something you have to ask for, no one's going to hand it to you.

Go to Human Resources and ask for either the salary range, sometimes it's called salary band and ask for that because you may discover that you've been with the company for five years and well, you're still only in the 10th percentile of that salary range when really you have earned the right and are worth a lot more.

Again, really good context for you to go in to your boss and ask for a raise and while you're asking for a raise, it's really important that you mentioned in writing all of the accomplishments that you've made in the last 12 months, last six to 12 months that really helped the company with their bottom line, moving forward, growing, that's really where your value lies and that's really what you want to focus on.

Great question, make as much money as you can in this nine to five before leaving for starting your own business but do the research as you have been, listen to some of those podcasts, search for those articles on my website and take those steps and I think you'll be in great shape.

[0:08:04.0]

[SPONSOR BREAK]

FT: Time for a quick break to put the spotlight on one of our sponsors today, Wealthfront. Wealthfront is the most tax efficient, low cost, hassle free way to invest. Now, many of you I know are interested in simplifying your investment strategy. You want to reduce fees, you want to work with a service that you trust and Wealthfront delivers.

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FT: Lindsey asks:

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L: "Hey Farnoosh, you probably don't remember me but we've met briefly at Penn State back in 2012 when you visited Greg Pierce's finance class."

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FT: Well, I probably do remember you, I would visit Greg's class a lot. Greg Pierce was actually my finance professor at Penn State. It's where I met my husband in that class and so we love Greg. He's a big fan of the show and encourages all of his students to tune in. Thank you for sharing this with me. She says:

[0:09:24]

L: "Hope you're well, been loving the podcast since the start. I've since graduated from Penn State and I've been living in New York since working at an ad agency. My question relates to good old student loans. My provider is Great Lakes and I have four loans all at varying interest rates. Strangely, my loans are all bundled together so my payments get spread across them. Are you familiar with unbundling a student loan? I'd love to knock out the highest interest rate one. Thank you."

[0:09:53.9]

FT: Lindsey, I'm not familiar with unbundling student loans. Have you asked Great Lakes about this? And if not great lakes, perhaps you might want to go to an alternative lender, someone like SoFi.com where they may be able to facilitate this. I understand you want to pay more towards the higher interest rate loan.

One of the things you could suggest to Great Lakes is that rather than spreading your payment across everything, maybe they can identify the highest interest rate loan and put a bigger percentage of your monthly payment towards that. I have to say, I know a lot but I've never heard of this. Unbundling student loans and it's an appropriate question for this week because it's been college week all week long on So Money.

I wish I had had this question a little bit sooner or at least I'd seen it sooner, I would have asked one of our experts. But it's a really good question. I think to find the answer, you ask Great lakes or you may go and get in touch with an alternative lender or another lender that may have an option like that. It may require some refinancing essentially.

So with that I think you can definitely do the search and get to the bottom of it but I agree with you. It's important to sort of identify the higher interest rate student loan first and focus on that, put more money towards that, put more money towards the principle of that so you can knock it out faster. Good luck.

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All right, Melinda writes in:

[0:11:19]

M: "Hey Farnoosh, I'd like some guidance on the new Repay student loan repayment plan for direct loans. I currently owe about $13,000 it's six and a half percent interest and I pay $180 bucks monthly. With Repay, I could reduce my monthly payments to $55 and any remaining balance after 20 years is forgiven. My question is, I have $9,400 in credit card debt and I want to pay it off in the next 20 months."

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FT: With that credit card debt, she's got two different cards, one's at 11 and a half percent, one's at 23%. She says:

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M: "I want to rent out an apartment on my own by that time in the next 20 months and I don't want the burden of credit card debt. Should I enrol in Repay and use a left over $125 a month to help pay down my credit card debt even though I'll end up paying more interest on my student loans? Or should I stick to my graduated repayment plan and pay off my student loans in under four years. Thanks for your help."

[0:12:23.6]

FT: Well Melinda. I think that the priority here is your credit card debt, that's where you want to be most aggressive for now. We can talk about student loans in a second but I think that if there is a way to shore up some more cash, to knock out that credit card debt so that you can be debt free sooner than later, that would be goal number one.

Maybe it means entering the repay student loan payment plan, reducing your monthly payment and putting the extra towards your credit card debt but by the way, don't just look at this as it's just $125 extra a month. Sometimes you might get some unexpected money, you might have some more money than you thought or you got a tax refund. That should also go towards the credit card debt, especially that 23% credit card, I want that to be out of the picture by the end of this year, let's make that a goal.

The other, you can pay gradually over the next 20 months but that $3,200 at 23% interest, get rid of that. With regards to your student loans. I think that it's true that with the Repay plan, you'll be paying more interest over the life of that loan but maybe in the short term, it's okay because it's going to give you that breathing room in your budget to shore up the necessary money to pay off the credit card debt, which is a much higher interest rate and also impacts your credit score more.

Having high debt with credit cards, actually weighs more heavily on your credit score than having debt with student loans. When you're applying for an apartment. Know that the landlord could request your credit report and may want to see your credit score. That's also why I think having that credit card debt out of the picture will be most beneficial to you so that you can achieve your goals.

Then, once you've paid off the credit card debt, you're in your apartment that you are living in all by yourself and enjoying. You might want to look at your student loan balance and go, "Okay, what can I do here now to get out of debt faster and to pay less interest over time?" And maybe it's that, with the Repay plan, I'm not sure if you could do this but maybe put extra payments.

Even though you're just required to pay $55 a month, maybe you could double it some months. Maybe you could triple it some months and that way you can get out of debt a lot faster. That's kind of where I'm thinking should be your strategy and let me know how it goes.

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Cathy writes in, she says:

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C: "Hey, I'm 42 years old, I work in law enforcement and I will be able to retire in just seven years."

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FT: Wow. 49 and retire, that's amazing.

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C: "This year, I'm focusing on my retirement goals and entrepreneurship as a second career. So I'm trying to determine my current net worth. I have several investments outside of my pension including a Roth and a deferred compensation. It's easy to find the current values of my other investments but how do I determine the value of my pension? I'm vested so I know the value is more than what it's currently in my pension account. I'm addicted to your podcast, thank you for what you do."

[0:15:34.1]

FT: Well, I would ask HR about maybe some calculators to determine the value of your pension. I really don't know any other resources right now because I don't know who your company is but I would say start internally and talk to the benefits manager at your company or the human resources department at your company and say I'm trying to estimate the value of my pension and I would be conservative.

You don't want to assume you're going to get this huge pay day and then you don't and you've mismanaged your planning. Be conservative, talk to HR, maybe you talk to other employees who maybe started out similar at a similar time as you or maybe just retired and ask them, "If you feel comfortable letting me know, what was your pension payout?" Start there and hopefully you'll get to some good figures.

Here we have a question from Mary. She says:

[0:16:33]

M: "I'm wondering how much money we should save each month in a 529. We have two kids age four and six months, we currently have about $3,000 in a 529 for our oldest child. Helping our kids graduate collage debt free is important to us. The kicker is that my employer will pay for half of college cost for my kids."

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FT: Wow.

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M: "That is great but college is a long time away and things can change, either my employment with them or their tuition payment benefit which they did reduce in 2009. We don't want to save too much on our own in hopes this benefit is there but don't also want to be caught in a bad place if things change. I don't plan on changing jobs but you never know what can happen in 14 years."

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FT: Yeah, I would say, don't bet on your company paying for half whether it's because you've moved on or they've moved on from this program. Here is what I think about college savings. I think that it's an emotional undertaking for parents because like you just said, it's really important to you as parents to take care of your kids to make sure that at the least they can come out of school without debt because it's such a burden, it really is.

But at the same time, you don't have to just factor yourself in this equation. Your kids can also do so much to make sure that their college choice is affordable. That they're going first and foremost to an affordable school that's not absurdly expensive and that they're getting the right kind of aid that's going to support them and not just student loans but scholarships and grants and work study programs.

All sorts of other kinds of resources to get them through school. Maybe it's they go part time, maybe they started a community college and then transfer. There's all of that that is the bonus of planning for college is the onus is not just on parents, that the children can actually do a lot on their own as well. That's a conversation you want to start having with them. I would say at age 12, 13, not at 18 when they're off to school or applying for school.

With how much to save in a 529, I think you want to first run some numbers and look at projected cost of college in the future. It's hard to say if your kids are going to go to Harvard or if they're going to go to liberal arts school, going to go to a state school if they're going to go to a vocational school. Fall somewhere in the middle and figure, you know, okay, let's say it's going to be a hundred thousand dollars a year to send your kid to school.

Do you save now as much as you can to get to the $100,000? No. Maybe you divide that by two and that's your contribution. That's $50,000 a year that you want to have in the bank for each child for when they go to school. Know that by the time you get to that point, it may be less, it may be a little bit more than $50 grand, then there's also the chance that your child can support his or her education.

For those calculators, go to savingforcollege.com. It's a great unbiased website that gives advice on college savings. There's articles, calculators, there's rankings of 529 plans, there's information about financial aid, scholarships and other ways to save and pay for school. Go there and run the numbers and I would say, let's say you discover that college is going to be X per year for your child in the future and if you are still with your employer, they'll pick up the other 50%.

[0:19:52.1]

All right, good luck to you. Great questions about college. It was very timely as this was college week on So Money. I'm going to be doing this regularly on So Money where I pick a week during the month and I focus on a theme. February we're going to be doing millennial week again because that was so well received when we first did it back in the fall.

You're going to be learning and hearing from some incredible 20 and 30 something year olds. They're changing the world and they made some time for this podcast. Looking forward to introducing all of them to you.

In the meantime, thanks so much for a great week and hope you have a fantastic weekend. If you're on the east coast, bundle up, it is absolutely treacherously cold out there. So stay warm and I'll see you right back here on Monday. Hope your weekend is So Money.

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