**EPISODE 350**

[SPONSOR MESSAGE]

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**FT:** Hey, you're listening to So Money everyone, welcome. I'm your host Farnoosh Torabi, today is Friday, you know what that means, it's time to answer your questions. I've had one incredible week. I started off shadowing the one and only Gary Vaynerchuk.

Many of you know who he is, don't pretend like you don't know and if you don't know who he is, that's cool too. He's a hero, a guru when it comes to social media and marketing and entrepreneurship. A lot of my friends, my brother even really look up to him as an icon, somebody who is going to be leaving an amazing legacy when he leaves planet earth and while he's here, he's making a pretty huge impact.

He is a unique character and interestingly enough, I don't think Gary recalls ever meeting me but I of course remember meeting him back in I think 2008. I was working at TheStreet.com and Gary was a contractor so to speak or freelancer, the company had hired him to do some freelance videos for our audience. Because at that point Gary was doing exceptionally well on YouTube, he had a channel called Wine Library TV, it's a show and basically that took off and started out — well I don't want to get all into it because you have to watch the episode.

The reason I was following Gary for three days. So it was like Monday, Tuesday, Wednesday, went to a thousand meetings with Gary, met a lot of his colleagues, talked to him for hours at end and we are going to be airing this on CNBC, it's part of my show Follow the Leader. Gary is the third person that I have so far shadowed for 72 hours, I shadowed John Paul DeJoria then I shadowed Lyor Cowan, Gary Vaynerchuk, next is going to be Lynn Tilton then it's going to be John Varvatos and then the Warby Parker founders, how cool is that?

Would like to see a few more women of course in the mix but maybe that will be for season two. Anyway, Gary is incredible, he's a workhorse to say the least. He packs in like 20 meetings a day, 16 hour days, he does a video, a podcast, he's got books, he obviously is also an entrepreneur so he's got a company too. Vayner Media, they are a social media digital agency, I was beside myself and I got pretty exhausted hanging out with him but a good exhaustion.

I left learning a few things. One, how do you Snapchat. If you haven't been following me on Snapchat, please, Farnoosh Torabi is my handle on Snapchat. I'm learning the ropes, it's been fun, I feel like a teenager but Gary swears this is like the next frontier in social media that right now, not a lot of people are on it but it is going to kind of take over. I'm trying to be an early adaptor.

I also learned that sometimes the best marketing technique for your small business on social media is to engage one on one. Big mistake a lot of people make is they post something for everyone to see which definitely has its merits but there is definitely some benefit to finding the individuals on Twitter for example that have problems that you can solve and then developing an engagement with them or a relationship with them or rapport with them and they become real, loyal fans. And soon, little by little, that loyal fan base could become your marketing base.

This is why Gary gets paid the big bucks because he has all the intel when it comes to how to make money on social media. He himself is a live case study of how to just constantly produce exceptional content, draw fans and make an impact on the internet but also in real life. Stay tuned for Follow the Leader premiering on CNBC march 23rd at 10 PM. It's a show like no other and I think you're going to like it. Okay, let's turn to this Friday's questions.

We've got one from Emily. Hey Emily. She says:

[0:04:47.1]

**E:** "Hey Farnoosh, I love your show, I listen every morning on my way to work, I've been slaving away to pay off student loans fast, but I'm wondering if I'm taking the best financial route? I'll make between $55 and $60k next year give or take, I've paid about $14,000 on my loans since they were dispersed a year ago and I have two left. One is about $17,000 at 5%, the other is $4,600 with the 3.15% interest rate.

I also have a car loan #biggestfinancialfailure, that's $12,000 with a 3.6% interest rate. I'm contributing some to my company's 401(k) and receiving a match. Would it be more savvy, financially savvy to invest more in my 401(k), possibly open an IRA in order to decrease taxable income and utilize writing off student loan interest or continue tackling my debt as quickly as possible, how do I begin to run these numbers?"

[0:05:47.4]

**FT:** Wow, okay. Love this question because it shows that our financial lives, it's a juggle right? Sometimes we have to make hierarchical decisions and this is an example of that. I think just based on what you're telling me, I'm leaning more towards being more aggressive with the 401(k) and the IRA. I like that strategy, not to neglect your student loans, I think that as long as you're able to make those monthly payments with ease and maybe once in a while put some extra towards the principle so that you can, in the long run pay less in interest and even be done with those student loans in less time, then that's a good plan.

I think that over the course of life, 35, 40 years, when you're going to be invested into something as long term as a 401(k), I think the return on that on average historically at least has been more than 3, 4, 5%. Mathematically it makes more sense to invest into something like a 401(k) and IRA and by the way, as you mentioned, there is a tax incentive to doing that, to reduce your taxable income. More money back in your pocket.

So I see more benefits to investing in retirement right now, especially because you're young and you got so many more years to go and compound interest is going to work beautifully for you. Maybe once you start making more money and perhaps with that tax rebate that you get, you put that towards the debt and so you can accelerate that simultaneously. Let me know how that goes.

All right, Art writes in and says:

[0:07:13.5]

**ART:** “Farnoosh, I am a financial planner in Minneapolis. I love your podcast but I want to caution you on one of the answers you gave this week, the woman looking to get into financial planning should definitely consider a CFP education program. You made it sound easier than it is however. There is also an experience requirement as well as a great deal or regulation to deal with.

Another idea for this person at this time might be to seek a part time and/or entry level position in a financial services firm while doing the CFP program. Maybe you could get Sophia Berra or Alan Moore to go over what is required to become a CFP on the podcast? I’m sure you have plenty of listeners who would be interested. Keep up the good work.”

[0:07:56.4]

**FT:** Hey Art, yeah, thanks for writing that in. I didn’t mean to make it sound like it was so simple and I will be the first to tell you that it’s not easy, I actually — I think I mentioned this to her in my answer. I have mentioned on the podcast in previous episodes that I actually one day got it in my head that I had to get the CFP certification and I got the course work, I bought the books, I paid the fee, the whole shebang.

I think I was way in over my head for sure. I think what happened was I took a practice exam, this is easy, it’s not easy. I didn’t take the whole exam, I answered maybe 10 or 12 questions and I did pretty well, I got cover confident and I just immediately registered, I was like, “This is going to really help my career, down the road I could perhaps coach people one on one, get paid for it et cetera.”

You’re right, there a lot of requirements to maintaining that license and of course prior to getting the license, you have to have some proof of work in the industry. So I don’t want to seem like this is not possible but to your point, it is not easy but nothing that’s good is easy right? Nothing that's potentially exciting or lucrative or fulfilling comes easy. So I never want to make that sound like it's a no brainer or you could do it in your sleep and thank you for the work that you do, we know that it's not easy being a certified financial planner and so thanks for writing in and for listening to the show.

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[0:09:23]

**FT:** Time now to shed some light and say thank you to one of our sponsors on the show today, Wix.com. Need a website? Why not do it yourself with wix.com. No matter what business you're in, wix.com has something for you. Used by more than 75 million people worldwide, wix.com makes it easy to get your website live today. You need to get the word out about your business? It all starts with a stunning website.

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[0:10:29.0]

**FT:** Hilary says:

[0:10:29.6]

**SH:** “Love your show, I’ve been listening since November of 2015 and it’s a daily for me while I run. I’m a high school economics teacher and a financial planner. Odd, I know.”

[0:10:38]

**FT:** That’s not — I don’t think it’s odd.

[0:10:39]

**H:** “The series last week on college was fab, I got my hands on *Broke, Busted and Disgusted* and showed it today in class.”

[0:10:46]

**FT:** My gosh, that’s so great.

[0:10:48]

**FT:** “The film was provocative and the students were captivated, thanks for providing such relevant and provocative material, thanks again.”

[0:10:55.4]

**FT:** My pleasure Hillary. I’m sure that Adam Carol who created that documentary, the guest on my show during college week, would love to hear from you. Please reach out to him, his website is Adamspeaks.com Thanks for writing in. I’m so glad to hear that worked out for you and your students.

Renata says:

[0:11:12.2]

**R:** "Hey Farnoosh, I'm not in the US but I hope you can help me. I have a retirement plan with my company. I contribute 12% and it matches one to one up to 12%."

[0:11:21.7]

**FT:** Woah! What company is this? Clearly not a US based company right? Maybe. Wow, what company is that? I want to find out and encourage people to work there.

[0:11:32.8]

**R:** "It's tax differed, my tax bracket is 27 and a half per cent and it will be 10% if drawn after 10 years. My question is, inflation right here in Brazil has reached over 11% in the last decade and this plan has earned less than 2% yearly. The economy doesn't seem to be getting better anytime soon but other fixed rate investments offer 16% or inflation plus 7%.

Should I take the match and tax referral regardless of the poor performance and the track record or should I pay taxes and invest it myself with something I know better. I'm 29, single, no kids and have at least 26 work years left, that makes a huge difference. I listened to you since day one, love your show."

[0:12:17.8]

**FT:** Renata, thank you so much. We've come a long way right? 350 episodes today. I really appreciate your loyalty and I'm touched because I forget that I have kind of a global audience. That's the beauty of podcasting, you're not limited to any particular geographies. 11% inflation, that's nuts. Your plan has only returned 2% yearly?

Look, I'm not going to be super optimistic but I will be practical and I will say that you're 29 and over the course of the next 25, 30 years when you go to finally, when the economy will inevitably change, economies are cyclical. They'll go up, they'll go down, inflation will go up, it will go down. I think that you will win in the end and if you look at this as a long term strategy then perhaps it's not so gloomy.

That right now, yes, it's really scary sometimes and also disappointing too. 2% annual return, not to mention inflations at 11% but you're not withdrawing this money yet, it's not really intended to be something that you're going to withdraw yet. Because your company has such a generous match, that's free money essentially. You put in a dollar, we'll put in a dollar, up to 12% of your income, that's huge.

I'm tempted to tell you to stay the course, I know that may sound crazy but if you are 49 years old and approaching retirement, I don't think I would be so optimistic but you're 29, you have no kids, you have at least another 25, 30 years left to work. Who knows what's going to happen in the interim? But I have a feeling that things will get better at some point and they may get worse again but there will be better times and overall, the net may be a lot better than 2% and by the way, along the way you've gotten a lot of free money. I don't know, that 12% match. Has anyone ever heard of such a thing? That's crazy.

Elise says:

[0:14:22.6]

**E:** "Hey Farnoosh, I'm a new listener, grateful for your podcast."

[0:14:26.3]

**FT:** Thanks Elise. I'm grateful for you.

[0:14:28.1]

**E:** "My husband and I are just now learning about investing. He's 40 and I'm 35, we've been working in traveling the world but we're now ready to settle down and buy a home, we're debt free but we've basically zero retirement saved. We want to begin investing for retirement immediately but we also want to buy a house.

We currently have about 5% saved towards a down payment. Should we just use the 5% now for a house and begin investing for retirement or should we try to stay closer to 10, 20% for a house and delay the retirement savings. It will take us about six years to save 20% for a down payment based on the value of homes in our area of the country. Thank you so much."

[0:15:07.6]

**FT:** Elise, I would say, why do you want to buy a house? If you're not on the position right now to save for both a house and retirement and you're in your 30's, 40's? Then I think retirement trumps buying a house, that's my opinion, I'm not saying you can never buy that house but I definitely don't like the idea of buying a house which is 5% down because here's what's going to happen.

Your interest rate potentially is going to be a lot higher because you don't have enough skin in the game. Banks are not going to look at that favorably. The banks that are even going to give you a loan with just that minimum down payment. Once you get to 20% down payment, you're going to see a more favorable term for your loan, you're going to pay for this.

You might save a little bit of money on the front end with this 5% down payment but the interest rate will be higher and over the course of living in the home and paying off that mortgage, you'll pay a lot more in interest. But more importantly, because you're getting somewhat late start to saving that you really need to focus on saving, saving not only for retirement but a rainy day.

Do you have six to nine months of your living expenses, shored up somewhere and a liquid account? Because maybe you're getting again, started in your 30's and 40's saving for retirement, the traditional advice of putting away 10% of your income every year towards retirement may not work for you. I think you want to be even more aggressive, 15% would not be too shabby. So focus on saving, that will be my priority.

Dylan says:

[0:16:37.8]

**D:** "Hey Farnoosh, I've written before and you've really helped me understand that getting caught up in buying real estate is this something I need to consider…"

[0:16:45.0]

**FT:** There we go.

[0:16:46.2]

**D:** "…given my earnings at this time. I'm refocusing my goals right now, my savings goals. I love your show and I have another question. My coworkers and I were talking about our 401(k) at the water cooler and in our case it was a cake machine and one of the more savvy members of the team with an MBA said, "Make sure you're contributing 4%."

I told him I aim to contribute closer to 10% but I was under the impression that he thought 10% was too much. However as I try and read finance blogs and listen to your podcast, I want to say it's better to contribute as much as you can to a 401(k), right? Not assume 4% a sound advice?"

[0:17:27.3]

**FT:** Yeah. I don't know where he got 4%, I really don't, maybe he's thinking of like a 4% withdrawal rate, I've heard the 4% related to a 401(k) when we're talking about how much you want to withdraw once you're like 59 and a half, ready to withdraw for the 401(k), how much of that you want to maybe withdraw annually.

I've heard 4% but yeah, 4% is low. Maybe if your company has a match, 4% plus 4% is 8% but that's still not awesome. 10% is good, 12% is better, 15% is excellent. Again, depends on what other savings you might have, maybe this guy's got an inheritance that we don't know about? Dylan, thanks for writing in and I'm so happy that you took a second shot at this.

I open Ask Farnoosh to anyone and even if you've asked 17 questions in the past, ask me again. I love hearing from you, this is the only way I know that this show is working is to get your feedback. It's the only way that I can figure out how to pivot or change or keep some of the things that we're doing. Always welcome your feedback.

Thanks so much for tuning in everyone, happy weekend. Hope to see you right back here tomorrow and Sunday if you want to catch an episode that you missed from the week, hope your weekend is So Money.

[END]