EPISODE 365

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[ASK FARNOOSH]

[00:00:45]

FT: Hey everyone, welcome back to So Money. I'm your host Farnoosh Torabi. It's Friday, or Fri-yay! Have you heard that expression? I feel like I'm really young again. You know, I just celebrated my 36th birthday, don't tell anyone, but I do feel in many ways that I've reclaimed a bit of my youth. I've been on Snapchat, have you heard of this? I'm a little late to Snapchat, but also early.

I feel as though that Snapchat has been something that has been dominated by the youth, the 13 to 18 year old subgroup, but recently has been embraced by brands, companies, celebrities, athletes, authors, entrepreneurs, and even I dare say people in their 30's, 40's, not 50's yet. But I think that Snapchat is growing in it's audience, in it's demographic, in it's user base.

I'm having a lot of fun with it. You get to go on there and kind of capture your moments throughout your day in a way that you can't really do on Instagram and Facebook and Twitter. Snapchat has it's own dynamic and I'm really having fun with it. So join me if you haven't. My username there is Farnooshtorabi, one word. And I'm Snapping — what's the verb here? I'm Snapchatting about my behind the scenes of Follow the Leader on CNBC, which premiers on March 23rd on 10 PM Eastern Pacific. Just had to get that in.

Also giving you a behind the scenes look at how I podcast, how I spend time with my family, and just kicking it around Brooklyn and New York and wherever else my life is taking me right now.

So let's hang out on Snapchat, it's loads of fun and this is Friday, so I'm really happy to say that we are finished with another week of fantastic podcasts. This was an epic week for the podcast 'cause Yahoo featured So Money on it's home page. What?!

Yeah I didn't really see, you know, the millions of people coming to my doorstep as a result when typically something does appear on the front page of Yahoo, it does have that ripple effect, that domino effect. But saw a nice little bump in listenership, but basically what happened was Business Insider loves the show. They typically will go through my archives, go through my transcripts and pull some interesting nuggets from guests and turn them into fun stories.

And one that they did this week, without telling me — thanks Business Insider! It was really awesome. They looked at my interview with Jim Want, founder of Bargaineering and he talked a lot about how he's super lazy but even someone who's lazy can master their finances. So they turned that into a headline about how you can manage your money even you're lazy, here's how.

That story, which mentioned the podcast and linked back to the podcast, got picked up by Yahoo and it went on the front cover. And it did, I'm happy to say, help Jim's business. Jim is the new founder of Wallethacks.com. So he originally founded Bargaineering, which he sold for about $3 million and then later, last year, he launched Wallethacks.com. And do check it out. Wallet Hacks is really cool, and Jim is a great, great guy. And listen to that episode if you haven't yet, Jim Wang.

So really happy and thankful for this week. What are you thankful for? Thankful for, maybe if you live on the east coast, that it was in the 50's this week? That was nice. Thankful for the fact that maybe you've managed to pay off some debt, maybe you've started saving more, maybe you've started a second income? That would be exciting. Share with me these stories. I would love to hear how you're improving your finances, and of course, what are your questions?

And speaking of questions, let's turn over now to your top questions from this week. I've got a question here from Katelynn and she says:

[00:04:37]

K: "Hey Farnoosh, I got scammed!"

[00:04:40]

FT: Yikes!

[00:04:41]

K: "Please help! Last year i applied for this student loan forgiveness that was advertised all over Facebook. The site was Studentaid.org. I contacted them and was told that I'm eligible for the plan because I work in a nonprofit hospital. I was told that everything will be taken care of and that I will not have to pay a penny for the next 25 years with an upfront fee of $800. It sounded too good to be true."

[00:05:07]

FT: Yeah.

[00:05:07]

K: "So I had asked, again every person that I had talked to via the site if this was a scam. And without any pause or hesitation, they had me convinced that this is legit. But I just got a bill from Fedloan..."

[00:05:23]

FT: I don't really know what Fedloan is, but:

[00:05:24]

K: "Fedloan asking for repayment."

[00:05:27]

FT: So I guess that's her original loan provider.

[00:05:30]

K: "I called them, but none of the numbers work. What should I do to protect myself from identity theft? Is there anyway I can get my money back?"

[00:05:37]

FT: Alright Katelynn, I did a little extra digging around for you. I actually contacted the folks at Studentaid.org on your behalf. Now Studentaid.org, when you go there, it is the National Association of Student Financial Aid Administrators — NASFAA. So I basically just sent her your question and I was like, "Can you help me and this woman who claims to have gotten defrauded by this website that looks to be your website?" And she said to me, verbatim, I'm reading this off to you from her email back to me.

She said, "This student must be mistaken about the company or organization. Our organization does not offer a relief plan of any sort, nor do we advertise on Facebook. This is a not for profit professional association made up of financial aid administrators working at 3,000 colleges and universities across the country. Our revenue comes from membership paying dues, and conferences and trainings for college staff. We do not collect revenue from students.

Our website is an information site only and does not allow advertising on our student and parent pages that would direct students to private companies, let alone companies involve in scams. We do not process anything for students and always inform students and parents to work with financial aid administrators at their local college or university or directly with their loan servicers."

So, now this is me talking Katelynn. I think that maybe you either had the website wrong that you think that you used to help you with your relief plan, or there is a company that's posing as this company. And that's also terrible. So whatever happened, I think you gotta look at what can you do now, right? So if I were you, I would followup with the Better Business Bureau, BBB.org. Let them know what happened.

You should also check your credit report immediately. 'Cause if you're worried about fraud because maybe you gave this organization your credit card or bank information, you wanna look into placing a credit freeze on your account. Now a credit freeze is also known as a security freeze, and basically lets you restrict access to your credit report, which then makes it harder for identity thieves to open up new accounts in your name.

And that's because a lot of creditors, given this credit freeze, will demand to see your credit report before giving anyone new credit. Whether it's you or someone posing as you. And if they can't see your file, they won't extend the credit usually. And I hate to say this, but if you're ever in the future hearing of or being offered a deal that seems too good to be true, do check with the Better Business Bureau first to make sure they haven't gotten any complaints.

Or maybe they can let you know if this is a scam or not. Do a plain web search too for terms like "scam", "fraud", and the company's name, or the organizations name. A lot of times people will write about their bad experiences on blogs an websites and so you can do some quick work that way, do your due diligence.So I'm sorry if I don't have any better news for you. I think the best thing to do is just try to get ahead of any potential problems this could lead to. You may not get your $800 back, that might be a hard lesson learned.

But you may be able to prevent any future financial losses by doing your credit freeze, by contacting your original lender and saying, "Look, I thought that I was in this forgiveness program, apparently I'm not. How do I get back on schedule with my loan without incurring fees, without incurring penalties?" Because we wanna make sure that you stay in good standing with the student loan. And thanks for writing in. Let me know what happens.

Ursula writes in and says:

[00:09:36]

U: "Hey Farnoosh, love the show. My longtime boyfriend and I are engaged."

[00:09:41]

FT: Well congratulations, Ursula. That's awesome! She says:

[00:09:44]

U: "We're planning on marrying in late 2016, so this year. We are currently en route to fully funding our Roth IRA's for 2016. What are the rules for couples that'll get married this year? Can I still fully fund my Roth IRA now, will I need to figure out first if our combined income as a couple will be too much?

Since we'll be marrying late in the year, will I still be able to file as single, or will we be having to file jointly? What else should we be thinking about in our situation?"

[00:10:15]

FT: Alright so Ursula, first again congratulations. Very exciting, and hope that you guys have the wedding of your dreams. Just to clarify, if you're getting married this year, 2016, this does not impact your taxes that you'll be filing this year. April 15th, 2016 is the tax deadline for the filing year of of 2015, which is the previous year when you were both technically "single". So you can still fully fund your Roth IRA now, and by April 15th it will count towards 2015 contributions.

For next year, when you file your taxes for 2016, give that you got married in 2016, I believe you have to follow the IRS rules for contribution limits for married couples. If you're married filling jointly, you can contribute up to the limit so long as your joint income is less than $184,000. If you're married filing separately, you can't contribute to an IRA unless you earn less than $10,000 combined.

And it's kind of annoying perhaps, but even if you're married on the last day of 2016, on the last day of the year, the IRS does consider you to have been married for the entire year for tax purposes. So this year as you plan your IRA contributions, make sure that you are following the IRS guidelines and IRS.gov is actually a pretty okay website. You know, I have to say, despite the fact that it's a government website, I think it's easy to use, easy to navigate, easy to search. Check it out. I mean, they've got all the answers there.

[BREAK]

[00:11:55]

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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[00:12:58]

FT: Zoë says:

[00:13:00]

Z: "Love your show. I make $82,000 but I have about $30,000 in student loan debt and a car payment. I want to pay off both items quickly so I am considering a side hustle with Uber.

However, I looked up tax brackets and was wondering if I make over $90,000 between my Uber and my full time job, will I be put in a higher tax bracket? Do you think it is worth the side hustle knowing I will be taxed at a higher percentage or should I focus on budgeting more to put extra money toward debt?"

[00:13:33]

FT: Well Zoë, no matter what, you should always be budgeting as best you can to make sure that there are no leaks, that you're spending appropriately, and that you're making the right sort of tradeoffs to address your obligations. And in this case debt is an obligation so if you've got some expenses that are more wants and not needs, then obviously think about retooling that part of your budget so that you leave more money for the necessities, and then you can go back to partying.

But back to this Uber idea; it's true, when you make more, you become subject to a higher tax rate. It's very possible. But you are gonna have to assume a lot of expenses to keep to side job running. You're gonna have expenses like gas, maintenance, depreciation on the car. And those are all deductible expenses. So your tax bill may not be that much higher at the end of the day because your taxable income will be reduced by these expenses.

But really what you wanna consider here, I think that you're forgetting or maybe you're not prioritizing is, is this really worth my time? Uber is not passive income. I ride Uber a lot in New York. These men and women really work hard at it and it's very active. You can't do it from home, and yes the expenses can reduce your taxable income, but it's still a lot of expenses that could ultimately eat into your profit.

So you have to kind of see where you fall on that spectrum between this being an expense and this being something that's like a taxable deduction. So if you're really hoping to make good money fast, I would consider some other options as well because I am queen of the side hustle. I've been side hustling since I've got out of college really, and I think you want to look into some of the other skills that you can monetize, some other ways you can monetize your skills and your time really to make the money that you need.

Whether it's copywriting, editing, graphics work, web design, tutoring, you can do all these things virtually, which has very little overhead, there are many options to choose from. So good luck, I love that you're looking into a side gig. I think that's excellent. It's obviously that you're listening to this show, you're catching on Zoë. Let me know how things go.

Here we have a question from Katie. She says:

[00:15:48]

K: "Hey Farnoosh! Love the podcast. It has provided inspiration on for both my work life and my finances. I want to add an additional revenue stream."

[00:15:57]

FT: Here we go, another income stream addition.

[00:16:01]

K: "But I've never been in business for myself before and I'm considering something like Stella and Dot sales to supplement my income."

[00:16:08]

FT: Stella and Dot.

[00:16:10]

K: "I wanted to know your opinion on such ventures. Are they legit, or just pyramid schemes? Thank you."

[00:16:15]

FT: Well, I think that Katie, first of all, great that you wanna do this, that you wanna start a second income. You're looking into your options, you know what your limitations are, you wanna maybe tap into an existing business and use their resources to make money. And direct sales, which is what Stella and Dot essentially is, and like Tupperware, Mary Kay, health supplements, are all sorts of direct sales companies.

I love Stella and Dot's jewelry, I wear their jewelry all the time. I can't really speak to the business, although I am hoping to get their founder, Jessica Herrin, on the show this year. So stay tuned for that. But I do hear from people who work for Stella and Dot that they love it. It is not something that again is "passive". You have to be very active with this.

You also, very important in anything that you do in direct sales, you have to be good at selling or at least enjoy the process of selling. This is an industry where people who are the hardworking, aggressive, do best. And so you have to really pick an avenue for yourself that makes sense. Where you really love the product, you really think that you have an existing base of people and friends and neighbors to market to and that you wouldn't be shy to market to them.

So it's really about your comfort level, and are they all legit? No of course not. A lot of them are scams, but I don't really know which ones, but you just have to do your due diligence like we talked earlier. Make sure that you're doing your research at the Better Business Bureau website. Make sure you're doing online searches, make sure that you're doing a sniff test.

If this sounds too good to be true, smells too good to be true, walk away. Don't take a risk, and talk to people who are already doing the program. "Do you like it? What's the time commitment? What is the initial investment I have to make?" 'Cause a lot of times these companies do require you to buy their products and then sell them. So you have to be prepared for that.

But all said, I think that direct sales works beautifully for many people, it's convenient, you can work it into your schedule, you can find a product that you're really passionate about. And what's also great is that there's an existing infrastructure, right? There's already materials, and resources, and websites, and supply chains so you don't have to reinvent the wheel here. It's already invented for you and you just have to ride it. And hopefully you'll be good at it.

Nicola says:

[00:18:43]

N: "I have the option to get €500,000 EUR from our family business. Should I buy a house from that or is there a better option what to do with that money? I am a shareholder, also I'm single, but probably staying that place as I begin to work in our firm."

[00:18:59]

FT: So Nicola, I think that what you wanna do with this money is totally your call. I personally do like the idea of real estate because that's my preference. I am someone who is drawn to real estate, I like to research real estate, I don't make rash decisions when it comes to real estate, but I have been in this market for a while, for over a decade I've been buying and selling.

So that's where my comfort lies. You have to decide where your comfort lies, and also your goals. Why do you want to buy this house or go into real estate? Just because you hear it's a good investment? What's at stake for you? With €500,000, I'd first think about what are some other financial holes in your life that you should fill before investing in anything?

Do you have enough for retirement? Do you have enough for a rainy day cushion? Do you have enough insurance? You don't have children, maybe you don't have enough dependents, but maybe you should think about disability insurance. If you lost your job, if you were not able to work at the family business anymore what would you do and how would you support yourself? Disability insurance could kick in and really be helpful there.

Also think about health insurance. Do you have enough health insurance? So there are a lot of like "boring", I will admit, some boring aspects to your financial house that you want to get in order, that you want to satisfy before diving into riskier ventures. And yeah, real estate can be risky.

And so I'm unfortunately not going to be able to give you probably the specific answer that you want here. But I will be able to give you encouragement and some prudent advice, which is that

I think you should really just look at first, you financial bases. Make sure they're covered and then think about doing something a little riskier with that money.

Robert says:

[00:20:51]

R: "I had listened to your podcast when you interviewed the founder of Betterment, and recently on your podcast and the podcast of Tim Ferriss and there was this mention of Wealthfront. I was wondering if you could talk about Betterment and Wealthfront — similarities and differences?

I'm currently using Betterment, is it beneficial to using one or thee other or maybe both? Currently not investing in anything else. Just curious on your thoughts about what's best robo-advisor or option for investments for a young male in his 30's that hasn't fully committed to saving. Thank you!"

[00:21:24]

FT: So Robert, I'm a fan of automatic investment platforms or robo-advisors as they're being called in the media. I like both Betterment, I like Wealthfront. Wealthfront obviously I do like, it's a sponsor of this show. Betterment's Jon Stein, as you mentioned, has been a guest on this podcast can I think that companies like them, Betterment and Wealthfront, they are the future of long term investing.

I think that even when you look at the overall landscape of financial investing, big firms like Charles Schwab, Vanguard, they too have launched automatic investment platforms. They see where people are going. And people think that online investing like Wealthfront, Betterment, it's really just like millennials or young people who don't have a lot of money. It's actually a lot of wealthy people too.

People with millions of dollars who just are tired of paying the big fees. Especially when they are of the school of thought that you just put your money in a diversified account, largely index funds, low fee, and let it ride. You're not buying low, selling high, trading every day or even every month. You're really just staying the course. And at that point, why pay the average 1% to a financial advisor to do that for you? Why not just give your money to Wealthfront, or Betterment, or any of those similar platforms.

What I'm not gonna do is give you this exhaustive breakdown of each of these platforms. I think that there are other ways you can get that information. Go online, do searches. I think that there are a lot of great personal finance bloggers out there that have done their own reviews, check those out. But I will say that you can go to Wealthfront.com/somoney and you can go there, your first $15,000 will be managed for free.

So I know you're with Betterment, but maybe you wanna also try Wealthfront and figure this out for yourself? And then you know what? Report back 'cause I'm curious. I wanna know too. I'm looking at moving some of my money to online investment platforms as well. So I'll report back and you report back to me and we'll share. How's that sound? Thanks for your question Robert, and good luck.

And that's a wrap everyone! Thanks so much for tuning in. I cannot wait for the weekend. It's been a very long, busy, tiresome but exciting and awesome week. Thanks so much for tuning in. I hope your Friday and your weekend is So Money.

[END]