

EPISODE 485

[ASK FARNOOSH]

[0:00:32.6]

FT: Welcome to So Money, Friday, October 21st, it is Ask Farnoosh time and I'm your host Farnoosh. Welcome to the show everybody. It is Friday October 21st, as I mentioned. Almost Halloween and I have an update for everybody. Evan is okay with the fire truck costume. We have — he's actually asking me now to put it on him. So it just goes to show you, with a little coercing and time, any two year old can be convinced to do something even if it scares him at first. Sophia, welcome to the show, I know you're not really a Halloween person.

[0:01:10.5]

SY: I am not.

[0:01:12.8]

FT: It's okay, I was at 25.

[0:01:15.6]

SY: I do like dressing up my dog though.

[0:01:17.9]

FT: Cute.

[0:01:17.9]

SY: I'm guilty as charged.

[0:01:20.0]

FT: What's your dog's name again?

[0:01:20.5]

SY: Lexie.

[0:01:21.6]

FT: Okay, so what's Lexie going to be this year?

[0:01:24.1]

SY: So this year, she's going to be a little lobster.

[0:01:27.7]

FT: How are you going to pull that off?

[0:01:30.7]

SY: They actually, believe it or not Farnoosh, they do make lobster costumes for dogs. I'm very happy to report. I'll send you a picture but...

[0:01:39.9]

FT: That's so interesting.

[0:01:40.7]

SY: They're getting very creative nowadays with dog costumes.

[0:01:43.7]

FT: Is it comfortable? Do you think she's going to be okay wearing it?

[0:01:46.5]

SY: It's funny, I thought that she would run the opposite direction when she saw it but she's actually really good with clothing. I mean I'm not one of those people who, not that there's anything wrong with that but I'm not one of those people who dresses my dog and put bows and all this stuff but in the winter I do...

[0:02:02.8]

FT: She doesn't have her own stroller?

[0:02:04.8]

SY: No she doesn't but she does have a rain coat just because she has longer hair, part of the breed and I don't want her getting sopping wet when I take her for a walk in the rain and she does have like a winter sweater to keep her warm and those things she doesn't mind but anything more than that I draw the line. But I will make an exception for Halloween.

[0:02:21.8]

FT: You're a good person. I think Halloween usually rains too. Or in my memory, I feel like it's always damp or raining on Halloween. We're in the midst, Sophia and I of hosting our workshop, it started yesterday and if you are listening last week, you would have heard a little bit about what it's all about. So we're doing this book workshop called *Book to Brand*, the idea is we get some really ambitious and motivated entrepreneurs in one room, all this people come from all walks of life, different expertise but they do share one goal in common and that is to write a book that's going to transform their careers, get them to hire positions in their business and wider audiences and really becoming more recognized as go to experts in their fields as books can do that for people.

We are hosting them in New York, some have come from Hawaii, Chicago, Silicon Valley, some are local to New York. So it's a really dynamic group, very excited to meet everybody face to face since we've been doing all this work virtually for the past couple of months. But now we've convened in New York, yesterday was the kickoff, it went very well. Today, we're continuing to teach and tonight we have a kickoff, I should say, what's the opposite of a kickoff? A finale?

[0:03:36.1]

SY: Finale, yeah.

[0:03:37.0]

FT: Finale to the workshop is our cocktail event where I'm inviting many of my dear friends and colleagues and acquaintances in the media world to come for a cocktail or how many ever they can take down in two hours to mingle with my workshop attendees, get them in front of some of the media gate keepers really, in New York City. It's really who you know at the end of the day, it's what you do and how good you are in what you do but gosh doesn't it help to know people.

That's what we're hoping to accomplish tonight at the cocktail event, see everybody in the room, mingling and toasting and I'm pregnant so I will be drinking my sparkling water with lime and although one thing I have replaced with alcohol is sugar. So there's that to look forward to if you're pregnant. It's probably not good to have too much sugar in general ever. But I want more of it now than ever in my life.

So we're really excited and I can't believe the workshop's almost over. The goal really is to get everyone who attends to have the best feedback, the exact kind of direction and understanding of what they need to do next to actually make this book happen and bring it to life and use it to their advantage as I have done in my career time and time again.

All right, let's get to the questions this week, unless we have any other updates, I don't know if we do?

[0:05:06.6]

SY: No, I think you've got them all.

[0:05:08.8]

FT: We're 15 episodes away from the 500th episode. I don't know what... this is the thing, how should we celebrate? Tell me, write in, tell me how Sophia and I should celebrate the 500th episode without breaking the bank and somehow including everybody, you and everybody. I mean we could do a Facebook live, that was fun. We gave away a lot of prizes when we hit three million episodes, just a couple of weeks ago but we've done that so what's something different that we could do? And I'm open to your thoughts, email us, farnoosh@somoneypodcast. Okay, that's all I'm going to say.

All right, moving on to Elena has a question. She's a single mom of five.

[0:05:43.8]

SY: Yes, living in Los Angeles and she's trying to get her finances in order. She regularly contributes to an online savings account and she is working to pay off \$10,000 of debt and she's expecting a bonus at the end of the year so she wants to know if she should put that towards the debt, the savings or both?

[0:06:02.0]

FT: Well, did she say if the debt is credit card debt or student loans or what or both?

[0:06:05.8]

SY: No, I think she just said debt.

[0:06:07.3]

FT: Okay, just debt. It's good to know she's contributing to savings, I wish I knew how much she had already in savings but with five kids, I have a feeling there's never enough in savings, right? Try to do a little bit of both and again she say how much of a bonus? What's the bonus?

[0:06:21.8]

SY: No.

[0:06:22.4]

FT: No, maybe a little more specifics next time but I'll go with what you have and say try a hybrid approach, Elena. Try maybe, I'm going to assume, let's say the bonus is \$10,000, do five in the debt, five in savings. If you feel that you have way enough in savings where you could comfortably afford your family's expenses for six straight months, eight straight months perhaps without working, then I would say your rainy day account in pretty strong shape. If it is not there, then it means you have more work to do.

I would aggressively put some more money towards that from the bonus. Do maybe a little bit of both. Without knowing any of the details I can't really say specifically and fervently, you know, it must be the debt or it must be the savings. So I gave you halves answer there.

[0:07:15.5]

SY: The next question is from Alice and she's taken note recently that a few of our guest have suggested the idea of opening several savings account for different purposes like travel, health, tuition, et cetera. She wants to know, is this really practical for budgeting? Because she likes the idea of allotting money into different buckets, but wonders if it's more trouble than it's more trouble than it's worth having everything in separate accounts?

[0:07:40.0]

FT: Well, it could just be — yes, many guest have suggested this and where I think she's thinking like they have five or six different bank accounts and while some of them may, I think an

easier way to streamline it and still have the various buckets is to have the bank that you go to regularly and see if within that account, you can create subdivisions, sub accounts.

It may mean you can't just do this online, maybe you go in and talk to an associate that can help you do that. Some things have that provision, you know, so that you can be a little bit more exact about the different categories of savings. But other people could have their bank account and then like they'll have an online account that's a separate account and, you know, eventually it's like two, three, four, different managed accounts. That can get a little hard to manage depending on you.

So there's so many ways that you can manage your budget and manage your spending and some of it comes down to practicality but a lot of it also comes down to what you're comfortable with. I know people who still use an envelope method, you know? They take money out of the bank every week or every month and they use the cash that they put in the different envelopes labeled travel, food, gas, clothing, et cetera. That's pretty old school, but if it works for you, it works for you.

So I think with the guests that have mentioned all this different several savings accounts, use that as more inspiration fodder for what you ultimately want to do and if you find that that's a little too hairy of a strategy, that's fine. That's not for you then. Try something different. That's the beauty sometimes of you know, if there is like some delight in managing your money is that you can kind of do it however you want as long as you get the job done and it works for you.

[0:09:24.8]

SY: Our next question is from Lindsey and she's interested in setting up a savings or an investment account for her two nieces. They're two and five and she wants it to be something that they can use whether or not they go to college and that they can access once they graduate high school and she preferably doesn't want them to be able to take out all of the money once, she wants to know if you have any ideas?

[0:09:50.2]

FT: Well, I would have said a custodial account but the thing with that is, the custodial account is an account that you open up with the intention of then handing that over to a beneficiary. Usually parents do this for their kids or in this case you could do this for your nieces. When they become of age and then in some states that's 18, 19 or 20, the account becomes theirs in theirs, in their name. The thing is they can do whatever they want with that money, they could take it all out at once so there's that and you don't want that Lindsey, so maybe that's not the best route.

But what you could do instead, you could do the custodial account but you could talk to your nieces about as they get older that you have this money for them. That it's really important that they be careful with it, tell them what your wishes are. I hope that they would respect that. Maybe write them a nice letter, keep in touch with them so that they don't see this as just this bottomless pit of money I'm going to take it all out and buy something silly with it. That knowing it's coming from you that you worked really hard to invest this for them over the years and that you want them to use this wisely, that could be all — that's sort of that could be the way to convince them not to pull all the money out at once.

I don't really know of any other vehicle that prohibits new individuals from doing what they want with the money, if it's in their name, you can do whatever you want. I mean no one can tell you, "Just pull it out once in a while or every month or you know when aunt Lindsey says so." What you're describing seems almost like too perfect of a scenario. I think that a custodial account could be almost perfect here for you.

The other thing you could do is just save the money for them in your name, if you want this not to be touched for another 15, 20 years then maybe you would look at something like an index fund or an investment portfolio that's a little bit more aggressive than just a traditional just a traditional savings account and the closer you get to them being of the age where you want to gift this to them, you wind down the aggressiveness and you make it more of a conservative portfolio.

Then you just gift them the money. But then of course there's gift limitations by the IRS every year. You have to be careful that you're not over gifting them money and maybe that's another way to do it, you kind of give them the money over the course of five, 10 years as gifts and that

way you're inherently pacing, you're creating a pace with that. They're not getting all the money at once but you can be in control of it by either. Maybe there's some other more sophisticated ways of doing this. If you have a financial planner, that person could also give you some more insights. So how cool is it to have an aunt Lindsey?

[0:12:27.1]

SY: I for one should have an Aunt Lindsey.

[0:12:29.0]

FT: I mean, I think that's so great. My friend, Melanie Notkin who was a guest on this show runs a company called savvyauntie.com and she is not a mom but she considers herself motherly to many, many children in her life. Whether it's her nieces and nephews, her friend's children and I think that is a huge demographic, women who aren't mothers to their own children but feel very much, you know, have very much parental instincts and act like mothers to many children. And I think that is so wonderful when you have the money to be able to do something like this for your nieces Lindsey, I hope that they grow up to really appreciate that and great for you and thanks for sharing your question.

[SPONSOR BREAK]

[0:13:11.0]

FT: 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 84 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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When you're running your own business, you're bound to be busy, too busy. Too busy worrying about your budget, too busy scheduling appointments, too busy to build a website for your business and because you're too busy, it has to be easy and that's where Wix.com comes in. With Wix.com, it's easy and free. Go to Wix.com to create your own website today. The result is stunning!

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[0:14:13.9]

FT: All right, this next one's about Donald Trump, I don't know if I want to answer this.

[0:14:16.8]

SY: I was going to say, it's a shame that you can't drink right now.

[0:14:21.6]

FT: Give it to me. Not the drink, the Donald Trump question.

[0:14:26.3]

SY: It's from Heather and she says Donald Trump recently stated that he was smart for not paying his federal income tax and she wants to know how that exactly might be possible?

[0:14:36.3]

FT: It's not. Oh, Donald. Without — clearly, I'm not voting for Donald Trump, okay? Let's not even beat around the bush and you may hate me for that and you may want to stop listening to this podcast for that and you may not appreciate that I'm sharing that, but it's getting close people and it's getting serious people and I just feel that at this point, it's not about political alignment because he's not even conservative.

There are republicans who cannot associate with him, they don't understand where he's coming from. I don't even think it's about what party you're with, it's just sort of like what are your moral values? Let's just say that. So to answer your question, I don't think that the Donald has the same definition of smart as you and I. I just don't think that's the case, I think that's why there's a lot of confusion when he calls something that a lot of us wouldn't see as smart, as smart.

There's not really a rational explanation for it and I think since he said that at the debates, there have been many, many, many articles and many accountants and CPA's and tax experts who can't even explain it either. It is wise to pay your taxes, not just because you are being loyal as a citizen of this country but that money is important. We need that money to help our roads, to help our schools, to help our infrastructure, to help provide for subsidies, to help run this country.

If you believe in this country and what it stands for and what its goals are and what its missions are, then you should darn well pay some taxes. I don't think that it is not smart to optimize your taxes, we talk about all the time on the show that you should try to be smart with your taxes in the sense that you don't want to have to pay more than you really should but we never say "don't pay your taxes". We say, look for the tax cuts, the tax benefits that can help to reduce your tax bill because why should you have to pay more than you have to?

But that's never to say you should find a way to not pay any taxes at all ever. I think that at that point, that's probably not what the IRS wants, it's not what this country needs and it's not fair. I think if you're running for public office and you're proposing all of these programs and although I don't even know what he's proposing because he's not really telling us but I assume he has some ideas, specific ideas. Once he tells us, that would be great. If you're going to become president, you have to be at the helm of a lot of decisions that require public funding.

I would hope that you would have, this person, he or she would have a track record of supporting public funding and the mission of this country. So that's disappointing, it's less about smarts, it's to me, it's just a very disappointing situation. I said that's all I'd say about that like 17 sentences ago. Apparently I had more to think about this, more to say about this but that's really where I'll put the period, I think that it's just very disappointing.

[0:17:40.9]

SY: I think that's well said.

[0:17:42.6]

FT: All right, one last question. I don't want to end on Donald, let's end on something else.

[0:17:46.3]

SY: No, we'll end on a different note. Our last question is from Amanda and she's having trouble sticking to her budget with some unexpected expenses coming up in her business. But sees these as an opportunity for her business to grow but then she loses money. So previously she has to say yes to a lot of opportunities and wouldn't see the return and now she's gotten herself into some debt and wants to know if you have any advice for her?

[0:18:11.0]

FT: Yes, it's called two letters, N-o, No. Say "no" to things, the power of no. James Altucher wrote about this. He's a contrarian but we love him for it. He's been on the show a couple of times, he's a friend, very successful thought leader and entrepreneur, and you just have to say "no". You've got to learn to say "no". I think that the more you can practice and get comfortable at saying "no" and really saying "no" based on your instincts, trusting your instincts, the more the "yes's" will I think become apparent and will become more successful "yes's".

There's only so much money to go around, there's only so much energy and time and thought. With that, you can't do it all and not everything's going to be successful. I know that when you're in the beginning of starting a business, it's okay to take risks and it's important to take risks and it's important to fail. Because at this stage, your failures are going to be small in scale relative to one day when you're doing exceptionally well, there's a lot at stake and you fail big time and that could really set you back and it could hurt.

Bu right now, small failures are more like lessons learned. But if you've got a lot of money attached to this failures, that's got to hurt. So I think I'm all for experimenting and taking leaps of faith, but be very cautious with your money. You have to because you want to have this business, not just for today or tomorrow but for a very long time. You have to be really prudent with your money. So start saying no and I think that you might actually end up becoming more successful, and on that note, we're 'going to wrap and I want to say thank you to everybody for your questions, Amanda, Heather, Lindsey, Alice, Elena.

Heather, that Donald Trump question, actually, we had a really cool episode earlier this month with Michael Ian Black who wrote a book called, *A Child's First Book of Trump*. It actually has become a real issue and more and more I'm seeing articles around this topic, which is how do you explain the rhetoric and the demeanor of Mr. Trump to young people when at the same time we're telling them to be respectful of their peers, don't be combative, don't be a bully, and it's hard. This guy is running for president, might become president.

How do you explain him to your child when you're watching the state of the Union and he's being very aggressive and turning red as he did at the debates? So it's hard and it's not meant to just be a joke, it's real people and that book I think was maybe a little ahead of its time when it came out. Maybe it was more like a farcical book but now, actually it's very much reading like real life. So check out that episode.

Michael, besides the book, he's super funny. He really caught — I was speechless sometimes, I didn't know what if he was, because you can't, a lot of times, you can't hear sarcasm very well over Skype. If you're in like I can see, when someone's being sarcastic to me in person, it's more obvious. But when someone's being sarcastic over Skype and you've never met them, yeah, that was not fun. So listen to that episode if you've got a chance this weekend.

In the meantime, see you back here on Monday and I hope your Saturday and Sunday are So Money.

[END]