EPISODE 620

[ASK FARNOOSH]

[0:00:35.0]

FT: You're listening to So Money everyone. September 1st. First back to school ladies and gentlemen, and we are not wasting any time here on So Money. We're getting right to your biggest, baddest money questions, getting schooled on personal finance. With me today is my friend and cohost and previous So Money guest, Hilary Hendershott. If you missed her on the show, you don't want to miss this episode that she was on talking about her money journey as an entrepreneur, and she is a CFP. It was So Money episode 463.

I'm going to just talk a little bit about Hilary before I bring her on to the stage, but Hilary is the founder of Hilary Hendershott Wealth Management. It's a leading financial advisory firm for women, and I love her mission. It's really to get women motivated, their loved ones as well, to be financially empowered. She also hosts a podcast. Check it out. Profit Boss Radio. It's a weekly show, and she's been everywhere on TV. You might have seen her on ABC, NBC. She's constantly quoted in the media. We're really honored to have her on in the show today to help me, because I need help sometimes getting through some of your very hard questions. Having someone with Hilary's expertise is invaluable.

Hilary, welcome to the show.

[0:02:00.1]

HH: Thank you so much. Thanks for that warm intro. I love So Money. Thanks for having me.

[0:02:05.9]

FT: We love hearing math and we love you. Catch me up a little bit. I haven't seen you in probably a year, and even more, I haven't really — You're on the show on almost 200 episodes ago.

[0:02:19.9]

HH: I can't believe you've done 200 episodes since then.

[0:02:23.3]

FT: I don't really even know what's going on either. Tell me — I know you had a daughter. Your business is expanding. Tell me everything.

[0:02:31.7]

HH: I did. There's this thing that birds do cold molting, where they lose all their feathers and replace all of them. This year has been an unintentional molt. In February, my husband and I — Or maybe it was March, my husband and I were already looking for a new office. We share an office space and so we knew we were going to move the office. We got notice from our landlord. We were renting in San Jose and we got notice that we had to move, and so I purchased and moved to a new home in San Jose in 28 days. That includes getting prequalified for a mortgage and pre-approved, which we were not even in the application process. I didn't even know we were going to move.

[0:03:17.0]

FT: That's got to be a record.

[0:03:18.1]

HH: I think it is I did the podcast episode about it, because I was like — We just completed an incredible feat. I mean we basically dropped a lot of things to make it happen, and then — This is kind of a personal think, but it's amazing. We actually bought a house, the house, that my husband was living in when I met him. He was renting this house and it had this dreamy pool deck, and we would always talk about pool deck. We would compare all pool decks. It was like the pool deck. We got it. It actually went on the market the day we got notice that we had to move out of our rental, and so it was like — We call it miracle house.

[0:03:55.9]

FT: I was going to say, “Do you believe in miracles?” because it’s almost a little too perfect how things worked out.

[0:04:01.2]

HH: It was pretty crazy. I did have — So my daughter was born in 2016 and then we moved our office in our home in 2017. I've hired an associate advisor on my team, so I have two full-time employees now and we are building out systems to be able to work with a whole brand-new set of client, the folks who are listening to my podcast. I'm building, creating, putting things in place. From an intellectual, your mind is full of so many things that it's a crazy time. It's hard to relax.

[0:04:39.3]

FT: Yeah. I can only imagine. Burnout is probably something that you're acutely aware of. What do you do to chill out?

[0:04:48.8]

HH: Here's the revolutionary thing that I finally discovered this years. It was like, “I never get to relax.” Well, it’s because I would always fill the calendar. I started scheduling relaxing.

[0:05:02.5]

FT: Like Oprah. Oprah does that. Although, now she does SuperSoul Sunday, but I think actually on Sundays she's like staying in bed, and she said that she has intentional me time that she schedules, put yourself first.

[0:05:16.4]

HH: Yeah. I mean it has to be. My workouts have to be on the calendar. I have literally blocks of time on the calendar that say do nothing, and I'm never doing nothing, by the way. I'm usually watching Netflix. Yeah.

[0:05:31.9]

FT: That's doing nothing. Your mind — It's mindless stuff.

[0:05:36.2]

HH: I'm not meditating, put it that way.

[0:05:36.2]

FT: Yeah. Although, who can meditate, really?

[0:05:41.5]

HH: Special people. Not me.

[0:05:43.1]

FT: Very special people. I give props to people who can meditate.

[0:05:43.1]

HH: Yoga people.

[0:05:49.7]

FT: Yeah. I can't do yoga either. Hilary, we have a lot of amazing questions from our listeners and I'm sure given the work that you do, none of this is going to surprise you, these questions, but maybe they will. Maybe we will surprise you. Let me pull up our questions. Here, we have questions about relationships and debt and everything in between.

Our first question comes from the Scott, and I'll have you read the question, because I think that's always fun. Give our guests, or give our cohost a little bit of a job on this show. Will you read the question? Yeah, sorry. I'm putting you to work. Sorry.

[0:06:28.8]

HH: Scott is — It's kind of a confusing questions. He's actually writing on behalf of his son. He and his son have this agreement. His son is a recent college grad and his goal is to buy a home that he can live in for 5 to 7 years and then resell in order to build his dream home. He currently lives at home and plans to for another 6 to 8 months to build up his savings before moving out. He feels like renting would be a waste, and Scott tends to agree. Can we convince them otherwise? Side note, but Scott and his son are enthusiastic Mint users, and it does say Scott is earning $60K a year. He saved $15K so far and he should be able to buy a home for $120-$150,000, because they live in Indiana.

[0:07:12.9]

FT: Yeah, not New York. That would be a part-time job in New York. It sounds like Scott, who is the dad, is trying to dissuade his son from —

[0:07:24.2]

HH: Moving out?

[0:07:24.8]

FT: Moving out and buying a house.

[0:07:26.5]

HH: Yeah. I think moving out and renting, I think. First of all, my first reaction to this was the whole idea that he's going to live for 5 to 7 years and then resell it to build his dream home. I thought, "Well, that is a really specific plan."

[0:07:26.5]

FT: I never had that plan. I think that — Certainly, in your 20s, you're not buying your forever home. Very few people, seldom people, do.

[0:07:50.9]

HH: Not unless you're Justin Bieber.

[0:07:52.3]

FT: Right. At that point you probably don't have just one home. I think it's a swell plan. Here's the thing, Hilary. Let's say that he pursues this savings journey with the intention of buying this home and then his mind changes. What's the worst that's going to happen? He's got a lot of money in the bank.

[0:08:13.8]

HH: Right. I think the only reason he would move out is for personal or emotional or social reasons. I mean kind of the thing that's on most 20-year-olds, 21-year-old's minds is maybe partying with their friends and dating, and living at home makes that kind of hard. There's not a financial reason to move out. If he and his dad can live together and it works and they're all fine with it then, by all means, tighten the belt as tight as you can tighten it without sacrificing quality of life.

[0:08:45.2]

FT: One other thing to consider. Some parents when their adult children move back in to the house is to charge them a little bit of rent.

[0:08:53.8]

HH: Totally reasonable.

[0:08:54.2]

FT: Or something like a housing fee. I know a girlfriend of mine is doing this with her daughter who just graduated, and not because the parents can't afford the mortgage on his or her own. It's just that they feel it's important for their child to really start to budget properly and realistically. Although it's probably only below market rent, is still something and it makes also the child feel like they're not getting a free ride, which psychologically can sometimes be beneficial.

Depends on your relationship, I think, and your son may or may not meet something like that. It sounds like his son is pretty financially focused. He's a focus guy, goal-oriented.

[0:09:38.1]

HH: You can't really tell, but the fact that dad wrote in about his son's life, something says to me that dad is as much in the captain's chair as son. I've kind of seen this before, and depending on the child's personality, the parent can be wanting to do the right thing for the kid, but it has to be something that the kid wants.

[0:10:03.0]

FT: Right. Good, good point, and that's why I have you on the show, because you actually work with real people. You get in it. You roll your sleeves up. You see a lot of things. When is your book coming out, by the way? We need to have more people like you sharing these perspectives, because you have a very unique lens.

[0:10:21.0]

HH: Thank you. It is so on my list.

[0:10:21.0]

FT: Good. Amber asks, “What's your number one tip for successfully managing business finances?”

I will say that I had a guest on this show recently, Mike Michalowicz, who wrote the book *Profit First*.

[0:10:39.0]

HH: Oh! Did you have him on? Gosh! I was even going to mention that book.

[0:10:42.3]

FT: Oh! Mike is amazing. I actually met him in person recently. He's more incredible in person. He's got more books in the pipeline, because this book just did so well, because it's so true. You could time in here if you want, Hilary, but isn’t it true that as business owners it's like — Especially, I think as women too — I don’t know, we’re conditioned to put everybody and everything first, and so we make the money, we’re good at making the money, but then we reinvest it back into the business or we have expenses and we forget to pay ourselves.

[0:11:15.4]

HH: Yup.

[0:11:17.0]

FT: The point of *Profit First* is to profit first, expenses later. Then that actually will inherently get you to be smarter about your expenses, because if you know every month you must pay yourself X-dollars and a reasonable salary. Be good to yourself. Then it may suddenly make the other expenses that you have every month either seem unnecessary or maybe you could find ways to save in areas that you weren't thinking about because you just weren't in the pay yourself first mentality.

[0:11:48.5]

HH: Sure. It provides clarity and boundaries that. Your business is ultimately a selfish entity that will take as much of you as you will give, and it can be fun to spend business revenues on marketing and promotions with sort of saucer eyes and big expectations about all the customers that are going to come rolling in. You don't really have a business you can sell until you're paying yourself a market wage, and so that's one thing, and not everyone is going to try to sell their business, but many of you should be planning to sell the business. That's how you build a really successful, profitable business.

I mentioned profit first almost every time I speak in public to business owners, because I just think everyone should read that book. It's a mindset altering. It's conceptual, but once you get it, you never go back. Basically, he wants you to create separate accounts for your profit. I think you should have another account for taxes and you feed those accounts first, so that come April 15th, or October 15, you have Uncle Sam is paid. You're not in a situation where it's like, "Oh my gosh! I'm about to be in debt to the IRS," which is the one entity you can never be in debt to, because if they don't like you they'll go into your bank account and take your money and you have a profitable business.

For business owners, owner income can be the same thing as profit. They're a little fuzzy. The distinction between the two of them is a little fuzzy in the beginning. I thought a lot about this question, and I really was going to mention that book, so I'm glad you brought it up. I think focusing on sales, focusing on profit is really the number one rule.

I also wrote down separate your business accounts from personal account.

[0:13:38.0]

FT: Yes. Yes, that was something that I was going to bring up next, but you beat me to it. Yeah, keep going. Keep going!

[0:13:43.3]

HH: I guess it was so hard. Your number one tip, “No. I can’t do just one.” You have to keep your business accounts separate and you have to do clean accounting. When you have a business expense, use that card. When you have a personal expense, use that card. You don't have this co-mingling of funds and tax treatment and you get to the end of the year — My tax appointment every year is so simple. It’s like, “Here you go. Everything is in two different buckets. There you go. Here’s my check.”

[0:14:16.4]

FT: That means also being organized. Everything that my accountant needs, and at this point I just know because we’ve been working together for so many years. I have a folder in Dropbox where it’s password protected and secure and all of the paperwork goes in there for the business and for the — I guess, Tim and I filing jointly.

Yeah, being really — Throughout the year, I think once a month doing a bit of your own personal tax bookkeeping will not only make your taxes simpler once taxes are due, but it also probably will reduce your bill because your account is not like emailing you every 10 minutes, “Do you have this piece of paper? Where is this document?” and saving him time or her time saves you money.

[0:15:00.0]

HH: Yeah. It's like do it as you go. I have a little scanner app on my phone, and if I need to I’ll take a picture of a receipt at a restaurant or at Officemax and it automatically uploads to Evernote. You can also configure it to upload to Dropbox, but it just happens automatically and that way I don't have to deal with paper receipts and I never ever, ever, ever want to keep a shoebox or a file folder of paper receipts. It’s like fire fodder.

[0:15:29.4]

FT: Sidebar: Something I recently learned. When you go, let's say, to a business lunch in your town, you must keep a receipt. It is not allowed to be expense unless IRS sees a receipt. However, if you go and you travel somewhere and you have lunch on business somewhere and you use your business credit card or whatever, that you don't really need a receipt for. It's enough for there to be a credit statement to back it up, but for other things that are local, that you're itemizing as like a business expense, you should just take a picture of the receipt and that will hopefully be sufficient evidence.

[0:16:12.3]

HH: Not only that — I'm sorry. Not only that, but you should write the name of the person that you had the meal with, and even if you can, what you talked about.

[0:16:20.4]

FT: What you discussed. I now! Because not that — This is just in case you get audited, which it's a small risk but if it does happen, you'll be thankful that you kept a really, really thorough paper trail.

All right. We have a question here about money and marriage, one of my favorite topics. Ashley wants to know what to do, because she is a saver and her fiancé is a spender. We've heard this before. It happens; opposites attract.

[0:16:52.2]

HH: That's headed for trouble.

[0:16:52.5]

FT: Could be, but it's so common, right? Does that mean everyone's doomed for divorce? I like to think not.

[0:16:59.9]

HH: No!

[0:17:00.6]

FT: She says that he likes to spend money. That makes him a spender, but she is the breadwinner, and as they approach marriage, they're not married yet, how can they meet each other halfway and make sure that their finances, when it comes to retirement and owning a home and all that other good stuff, is in line with their values?

I'll start by just saying that it is common for couples to have differing views on money and it's common for one to be spender and one to be a categorical saver. That, in the beginning, can be sometimes exhilarating and interesting for each person because, as I've learned, saves like to live vicariously through spenders, and spenders find security in being with savers, but if you don't establish common ground and align your goals and your values, trouble ensues and arguments ensues.

I the first thing you want to do is rather than kind of attach each other for your differences and point fingers, is to find where you are aligned. What are your common goals? What do you want to do in the next 12 months, 1 to 3 years, 10 years together? What do you want to build? What do you want to financially work towards? That can be your roadmap, and I think that once you establish that and you both have a mutual respect for these things and a mutual commitment to these things, then I would like to think, and correct me if I'm wrong, that sometimes our bad behaviors correct themselves, because you're conscious now of what your goals are and it's not just about you anymore. It's about this common shared goal ambition. It almost would feel icky if you're like out there spending on a tear when, really, you know that the goal is to save, let's say, $10,000 by the end of the year to be able to afford a down payment on a home. That's the first step I would say. Hilary, you fill in the blanks.

[0:19:02.3]

HH: I have seen it all when it comes to spending and saving habits, and you might be surprised, but I definitely have met over savers. People who just white knuckle their money, and so I think in this question we're assuming that the saver is the virtuous person and the spender is that, like you said, the bad behavior person, and I wouldn't assume that although it's probably true. I also would —

[0:19:29.4]

FT: That's fair. I like what you say. I like that.

[0:19:32.1]

HH: I mean there is what we say about money. There's the conversation about money and then there's the actual results, and I think you hit the nail on the head with the goals conversation. I would not get attached to the titles saver spender. I think in a marriage, if you start to say that, and it becomes true between the two of you, I'm the saver, he's the spender, them that is a divide.

It isn't true that if I were to cut you open and sort of look underneath your skin, there would be a stamp that says saver or spender. It isn't true that those traits are natural or genetic. You created them based on something and you can change them if you want to.

A lot of times those spenders don't yet have the part of their brain working that's dealing with future consequences of their actions, and so that could be hard to deal with in a marriage, but I think you're spot on when you say that if you can get two people aligned or on a goal, it's clear. It's black and white. What's it going to take to get to $10,000 in that savings account this year? Well, it's about 480 bucks a month. Okay. We have to save that, or we're not going to make it. Then, I guess, the person should be free to suspend if he wants to spend above and beyond that savings target.

[0:21:00.5]

FT: Right. Having your own account, I think, is paramount, right? Because — I don't know, I just feel like there are some couples that can make it work with just one shared account, but more often than not that creates struggle and even over little stupid things, like wanting to go get your hair blown out, and it's $40, and then it's like, “I have to now like talk about this, really? I work hard for my money.”

When you have your own account separate from the joint account and you equally know. You each have like sort of an equal percentage that's going into that account, you can do whatever — It’s your fun account. Do whatever you want with it, and it creates autonomy, maintains autonomy. So many of us are getting married later in life, we’re coming to marriage with our own —

[0:21:46.5]

HH: All kinds of habits already installed.

[0:21:49.0]

FT: Right. I think it just makes it a little simpler, a lot simpler, and so I think that is something to also consider as you get married to have three buckets; mine, yours and ours, Ashley. I want to also bring up, this is actually a great segue to talk about some new data that's come out that really, I think, backs up a lot of what we've been talking about. Everyone’s knows I'm a brand ambassador with Chase Slate, and Chase Slate did a new credit outlook survey for 2017 and they found that — They covered a lot of territory, but specifically to money and relationships they found that only 1% of women, Hilary, are willing to discuss finances on a first date. Men are more open to discussing them at 15%. Do you find this to be true in your line of work? Do you think this rings true?

[0:22:43.8]

HH: Gosh! I probably have a really unique view. I mean if people call me, the first thing I ask them about is their money. I don't know I have — I have never talked about money on a first day, although I do remember in one relationship talking about money. A person flat out asked me how much money I made I think on the third date, and I was kind of surprised, but also refreshed. That data doesn't totally shock me, although I don’t — They’re saying the man is willing to share how much he makes or how much he has on savings.

[0:23:18.4]

FT: I think it was just a board, sort of discuss finances. So that could be your salary, but it could also be credit score, it could be the financial news. I think just money can be really taboo, whether you're talking your own money or just generally how much things cost can make people feel uncomfortable.

[0:23:40.2]

HH: I bet people are more willing to talk about assets than they are about debt, right? Talk about the positives versus the negatives.

[0:23:46.2]

FT: Yes. Mentioning debt, they found that when people are dating, debt is a big deal breaker. High credit card debt specifically is a deal breaker, where over a third of Americans say that credit card debt is a reason to think less of a significant other.

[0:24:04.7]

HH: I wonder how much that leads to white lies.

[0:24:09.8]

FT: Oh! Financial — What is it called? Financial —

[0:24:14.3]

HH: Infidelity.

[0:24:15.2]

FT: infidelity. Right. Yeah, I think that net-worth equals self-worth sometimes, and if your net-worth is negative, not only are you feeling perhaps less than, but you can project that on to others when you find out somebody is in debt. I think that, like you talked about earlier, just because you're a "spender" doesn't mean that you're a bad person or that you make consistently bad choices, right? These labels sometimes can get us pigeonholed for the wrong reasons.

[0:24:52.2]

HH: I remember having a negative net-worth. It was hard. It was tough to feel like, "I'm kind of a failure in this world," but it's not true. It's just bad planning and sort of you're heading your net worth in the opposite direction that you want to. I just wonder if I was on a date and I lied to someone about my debt, and then maybe it turned out to be a good thing, like I would really work hard to get the debt paid off before I had to come clean.

[0:25:20.4]

FT: You know what? I see it both ways though. I see people shying from talking about their financial blunders and their debt in the early stages of a relationship. Similarly, I find with women too, if we are really successful and we make a lot of money or we're very successful at work, that can also be a paint point to bring up, because we don't know how that's going to be interpreted, right? Am I going to be a threat? Am I going to be seen as too ambitious and therefore couldn't possibly have the time or the focus for a relationship? It's like lose-lose sometimes.

[0:25:54.8]

HH: That certainly is your area of expertise. I can say from my perspective, I work with lots of millionaire and multimillionaire divorcees and widows and when they go to date, they find that it's a requirement that the person that they are dating have his own financial success, because there's just such a mismatch in terms of perceived power, resources, they don't know if he's looking at her opportunistically. It's like they're kind of private detectives in the beginning looking for symptoms of financial success.

[0:26:36.6]

FT: Financial sleuths.

[0:26:38.4]

HH: Yes.

[0:26:39.6]

FT: I think these all just tells us that money is very mental. It's very much emotional and psychological and it's not just clear-cut black and white we come to the table with. Yeah.

[0:26:51.1]

HH: It’s so emotional.

[0:26:53.0]

FT: Pre-conceived notions. I know. Good luck to you. I want to just say that don't let your differences dissuade you. Really, like you’re in the same boat as many couples, Ashley, and I would hope that you and your husband, your future husband, have at least the ability to communicate and be really open or honest with each other about your money, and that’s 90% of it.

All right. We have a question hear from [Neetu]. You want to take this one away, Hilary?

[0:27:20.6]

HH: Absolutely, [Neetu] is a 35-year-old female and she's super confused about how to get into investing in stocks. She says, “How do I make some of money work for me? What's a good place to start and what do I start with?”

[0:27:34.1]

FT: She's never invested in stocks. I would say a 401(k) or an IRA to start, something specifically catering to retirement?

[0:27:45.1]

HH: It's funny that your answer would be about what account type. I thought she meant what stocks to pick.

[0:27:53.1]

FT: Oh! We don't pick stocks on this show, and so I will just say that I think that there are other podcasts out there that could give you better advice as far as the types of stocks to pick, although if you want to the reins on that one, Hilary, that's my expertise, but it could be yours. I'll tell you the sort of approach and maybe you could give us some, if you have any recommendations on how in terms of how to approach stocks.

[0:28:21.4]

HH: I can get some broad strokes.

[0:28:23.2]

FT: Okay.

[0:28:24.1]

HH: As a financial advisor, I have to be fairly careful what I say publicly, but I'm confident that I can say to you from a strategy perspective, there are really two ways to invest in stocks. First of all I don't think that you should reinvent the wheel. For most people, unless you're doing it professionally full-time, choose mutual funds, or ETF's, where someone else is actually packaging stocks together for you so you're automatically diversified.

Then, you know, there are really evidence-based ways to invest, and you've probably heard of index funds or passive investing. This is really the methodology that the company Vanguard was born on, John Bogle, really went to market with this idea of not trying to beat the market. He was laughed off Wall Street in the beginning and now his ideas and his methodology is really being bought into by investment professionals and investors everywhere.

I, myself, as a company that specializes in working with women, have an account solution, will be live with it within eight weeks after the airing of this episode where we can work with investors who have 25,000 or more to invest. You really can get a professional to do that for you. I can't mention specific providers, but I will say there are evidence-based ways. Kind of the intellectuals in the industry are really agreeing that this indexing methodology is best, and then so there are people who will kind of do it for you. You can delegate it or outsource it, and I'll be offering it very soon.

[0:30:00.7]

FT: Right. I agree a hundred percent with that advice, and as far as like how to get into these sorts of vehicles, you can work with a financial advisor, you can also go online and just directly buy them on the market. You can go to Vanguard, but you can also go to a platform like Wealthfront or Betterment, Ellevest. There’re a number of ways to get in to those kinds of investments. Just keep in mind that wherever you go there are varied fees and you want to do the math a little bit to figure out where does it make the most sense to park your money based on the sort of service fees and the fee that has nothing to do with the investments themselves, but rather the service that's providing them. There's always some sort of cost associated.

Do your homework and do sort of, as much as you can, on apples to apples comparison. Yeah, indexing, exchange rate of funds. Warren Buffett loves index funds. He does.

[0:31:03.5]

HH: Last I checked, he's pretty rich.

[0:31:05.7]

FT: Warren Buffett is on the record saying most investors should choose indexing. Warren Buffett himself doesn't do that inside Berkshire Hathaway, but he's definitely on record saying folks like you and me really should — If we're not going to do it full time, we should really just leave it to the professionals. Yes.

we have one last question hear from Frank, and I'll read it off quickly. He has a Roth IRA in his name, Hilary. It's got an average return of 7%, which is pretty good, right?

[0:31:38.0]

HH: It is.

[0:31:38.7]

FT: He is planning on leaving it to his wife. She's 15 years younger than he is. He is 69. She's 54. Frank says he doesn't need the money, but his wife will need in the future, probably because she's going to to live longer, as she wants to pay off all of their mortgages.

Now, Frank has a home HELOC that has variable interest rate. He read that there is a plan to raise the rate over the next two years. Should he use some of his Roth money to pay off the HELOC or free up the payment and reinvested in his wife's brokerage accounts? This seems like — Does it come down to just the math? What do you think?

[0:32:27.0]

HH: It's complex, because you have the future transfer of assets from him, who's obviously more financially sophisticated to her. I mean I'm nothing saying obviously. He's the one asking the question. I guess it's possible she could be an expert. I just would think then the question would come from her.

I describe this in two phases, that paying off your mortgage is one level of being financially conservative. We all have to be conservative in our financial lives. That just means spending less than you make, and a lot of people think that paying off their mortgage is a great thing.

In my opinion, one level of sophistication up from that is using what we call arbitrage, and what that means is borrowing other people's money to make money at a higher rate. At this point 1.75% is much lower than the expected return, that's why he told you the average return inside his Roth IRA is 7% and now his question, “Well, but are interest rates going to go up?”

There's a whole another level of complexity, because this home-equity line could increase its interest rate, and so arbitrage may become less possible. Arbitrage is simply taking an asset from one place where it's worth something and moving it to another place where it’s worth more. That's all arbitrages.

I do think he's right, that interest rates will go up. We don't know how quickly though. I mean his statement that they'll go up over the next two years, by at least 1.75% over the next two years. The Federal Reserve doesn't publish that information. They don't make that information public.

[0:34:11.4]

FT: It’s a speculation.

[0:34:12.6]

HH: Yeah, it is really a speculation. I would go to his bank. A lot of times the banks will lock home-equity lines. So what they'll do is to make it a fully amortized loan instead of an interest only loan, which most home-equity lines are interest-only, and so they’ll just lock it where it’s at. I mean that does mean he can no longer write checks on and it. It does mean he can’t take more cash out, but if he wants to be totally conservative, I would just go ask them to lock and fully amortize the loan so that he can lock in that interest rate. I think that would be my recommendation to him.

[0:34:43.0]

FT: Yeah, and then he can plan better because he doesn't have to sort of follow this moving target, called interest rates, and then at least have more peace at night and be able to — I think, yeah, that's a great idea. I didn't know you could actually ask your bank to do that. Which, really, the big tip here is when you need something, ask for it. Just because they are not getting a letter in the mail that's like, "Hi, we're bank of whatever, and we could lock your HELOC. We could amortize your HELOC." That's just because they're not pronouncing it, it doesn't mean that they may not be able to help you out with that. Always ask for what you need, and they may not even have a program for it, but they'll work with you and you can't lose by asking.

[0:35:27.9]

HH: For some people, the idea of paying off a mortgage — I mean I just took a million-dollar mortgage. The idea of paying that office is kind of like pie-in-the-sky, but for some people they're really throwing money at the mortgage and the only problem once you pay off the mortgage is that you've got all these money, and in Silicon Valley where I live, you're talking about a million, a million and half dollars in a house that you can't spend to touch or access, and that's a lot of money. There's value in having that home-equity line, and even more value in a lot of cases of just not paying it off. Just save the difference and you actually end up with a higher net worth over time.

[0:36:06.4]

FT: Yeah. That's very refreshing, and I think that there is something to be said about being nervous or anxious about having a mortgage and so much of managing your money in your best capacity and way is doing it so that you don't have stress, and if that's going to alleviate your stress, then there's some value to that, but don't do it because you think you're necessarily making the smarter kind of accounting decision.

[0:36:32.8]

HH: Agreed. Yes, agreed.

[0:36:34.3]

FT: All right, Hilary, thank you so much. Again, to episode 463 where you can learn more about Ms. Hendershott and her finances, and quite the journey you've been on, just as a little tease. Thank you so much for coming on the show and giving us so many great strategies and insights. Your show is, again, Profit Boss Radio. Where else can we find you?

[0:36:57.8]

HH: You could find me on the web at hilaryhendershott.com. Hilary has one L. Hendershott has two Ts. It is phonetic. If you go there, there's a cool free giveaway that helps you figure out which your money mindset is what impact that might be having on your finances.

[0:37:16.8]

FT: I'm going to go take the quiz. Thank you, again, and we hope you have a great weekend, Hilary, and everyone. Hope your weekend is so money.

[END]