

EPISODE 797

[ASK FARNOOSH]

[0:00:36.9]

FT: You're listening to So Money, everyone. Welcome. October 19th, 2018. I am on the other side of my book to brand workshop. I know last Friday, I was all nervous about how I was going to work out and it went beautifully, as it always does, but I'm a nervous wreck always and the run-up to these workshops. Because they're – it's a big deal. It's like a big production. It's two days all day, people are coming and going. I've got lists of speakers. This year we had about 20 speakers at book to brand.

It went so well that I am considering doing it again in 2019. If you're listening and you're an entrepreneur, or a thought leader, or an expert in your field, whether you're a physician, a lawyer, a money coach, a psychiatrist, a wellness coach, a nutritionist, I'm just writing think of all the different people that have come through book to brand, and you're interested in up leveling your career and your personal brand through a fantastic book that is self-helpy, prescriptive, nonfiction, I don't want any Harry Potter authors, though that would be awesome. I don't know if I can help you. People who want to do nonfiction, not fiction, get in touch because this is the period where I'm on this high from book to brand and I'm really looking forward to the next one and I'm very generous with my discounts.

If you contact me and you're in it and you want to do it, let's talk because we could probably find a nice sweet deal for you. It's normally a very high-ticket program, four figures, but it is something that many people say it was their money best spent that year, because it just helped them fast forward a lot of the work and understanding and people networking to get their book off the ground. That's all I'll say about that.

We have a special co-host today on Ask Farnoosh; a listener, I love these days. I love when I get to actually bring on a bonafide listener to the show to help us with all of our money questions. His name is Reuben and he works in financial services. That's not all folks, he also

has a side company, a small business that he has started K2 Collaborators LLC, which I'm going to have and talk all about.

I just loved learning about people who have the time and bandwidth and interest to have a full time career and a passion project, which maybe will turn into the fulltime career. I don't know. He doesn't know, but maybe that could happen. Reuben, welcome to So Money. Can you believe you're on the show?

[0:03:13.5]

RS: No. This is very exciting. Thank you for having me.

[0:03:17.4]

FT: I'm saying that, not because I'm this amazing podcast, but you wrote to me saying how much you love the show and it's been helpful to you and you've been a So Money fan. A lot of times we listen to podcasts, or we listen to – we see YouTube videos, or we follow people online and there is this wall, right, that goes up, that's you and them, and then there's this barrier in between, but this is my attempt to bring people on the show like you who listen to bridge that gap and to make us all one and say I am the host, but I'm not the only expert in the crowd. You Reuben come to the table with a lot of experience and expertise. Tell us about K2 Collaborators and how it started.

[0:04:02.5]

RS: Sure. I studied economics and finance in school, but I also did study public policy and I've always had an interest in nonprofits and in education. One of my early jobs was in the consulting field. Through that, I felt that a lot of the practices from consulting for private organizations could be leveraged by public organizations, or nonprofits. I have a few friends in the education field and who work with charter schools. A lot of my projects early on were either working with nonprofits, or education-oriented organizations and helping them come up with things like a business plan and finding business partners.

It's been a really exciting experience, because a lot of times people have great ideas and they just need help from someone to articulate a story, or a narrative to pitch the key stakeholders, or to customers and it's been a really rewarding experience for me.

[0:05:10.7]

FT: Strategic planning for nonprofits and small businesses. Is this at all related to the day job that you have, without getting into details because we want to keep that a little behind-the-scenes?

[0:05:21.7]

RS: Sure. No, it's not. It's just a side interest and it's just something I started out pretty small and it's still pretty small, but it's gradually grown. Like you said, turning a passion into something more.

[0:05:40.4]

FT: Awesome. Well, good luck with that. What brought you to the podcast? I mean, I assume because you work in financial services, you have an inherent interest in personal finance. That's just my connecting the dots, but what's your story?

[0:05:53.8]

RS: I think you'd be surprised, even people who work in finance can have the challenge in managing their personal finances. It's just I find that a lot of people around me since personal finance is something that's not taught in school, really struggle with it. I found that the way that you interweave stories with the personal finance, as well as entrepreneurship, that's something that really attracted me to the show.

[0:06:25.2]

FT: Well thanks. Yeah, I think that money can just be a relatively dry topic. When you engage people around this topic through stories and real-life experiences and especially I love the episodes where we hear from people we may know from other respects, because they're famous people in the world of – in whatever world. They're thought leaders, they're their authors, they're on TV.

We don't always hear this side of their story, and a lot of times the financial story was a struggle, or was a long road to discovery, and I think that's very inspiring for everybody else who has ambitions and wants to be successful to know that if your money is not where you want it to be today, you can get there and still accomplish all your other goals. I really appreciate all of those stories. They've taught me a lot for sure.

All right, you're ready to help some of our listeners Reuben? By the way, what's your number one money question right now? How can I help you?

[0:07:28.7]

RS: I think one question of mine would be how do young people go around – go about saving for our house, just because with the down payment requirements and things these days, it can be a daunting financial goal to reach.

[0:07:46.0]

FT: It's a big one, buying a house. Not just the price tag and the mortgage, but also like you pointed out, a lot of the upfront costs, like the down payment, the closing costs and I think that first, making sure that this is something that you're serious about, understanding that this is a long-term goal that of course, if you've got the cash windfall, you can just go out there and have at it, go, enjoy the market and buy something you love. For most of us, it's something that's going to take time.

Giving yourself that permission and that understanding that this is going to be maybe a two to five year achievement, over the course of those years you're going to have to save, maybe improve your credit score too, because that's going to play a big role in the interest rate you

would get when you get the mortgage, and so really working towards this goal like a marathon. You got to train for it, you have to know all the inner workings and how to get yourself really ready for homeownership financially, capacity-wise, emotionally too, because being a homeowner, it's not just making that monthly payment, it's being a homeowner. Making sure you have the interest in running this house.

Whatever happens, it's on you and you can't call your landlord. I think, once you go through that exercise of understanding all that is involved, you might actually come out on the other side of things going, "I'm going to rent for as long as I want." To be honest, I don't think there's anything wrong with that. I think that yeah, there's this sentiment that our families raised us with the sentiment a lot of us that buying a home is a great investment and renting is throwing money down the toilet.

I think that you have to do the math and you have to also be psychologically ready. If all of those things do end up working to in your favor as a homeowner, I think then be a homeowner and work towards that. That could be a fine goal. It's not an assumption that is necessarily going to net positive and you have to go through that exercise first of doing the math and really having those deep conversations with yourself and your partner, if you're married. Like, "Is this something we really want to do? Do we want more flexibility in our lives? We want to be transient. Do we want to travel?" Because then if that's true, I don't know if homeownership right now makes sense for you.

To your question about how do I actually get the money if I have made up my mind, I want to be a homeowner, you got to start prioritizing your paycheck, the way you allocate that paycheck to siphon off some for that down payment. Now, first step is maybe to try to run some online calculators to see what you would pre-qualify for with your salary and your net worth, so to speak, what would you prequalify for if you were to go to a bank today? They would run the numbers and they'd say, "Okay Reuben, we'd be comfortable giving you a \$350,000 mortgage."

That doesn't mean that that's the price tag of the home that you qualify for, because on top of that you would want to have to put down maybe a down payment as well, so and that's cash. That gives you a target for the home price that you would be comfortable affording. I would still even say be more conservative than a bank. A bank will come back and maybe give you a

mortgage that's five times your salary, or whatever. You really want to make sure that that monthly payment is no more than 28% of your take-home pay.

That's even conservative – more conservative than some financial experts. Other finance experts would deem. I just feel like you don't want to go to sleep at night worrying about that mortgage payment. Chris Rock says, there's a good mortgage and there's a bad mortgage. It's part of his latest act, if anyone's into stand-up, I am. He's right, because a bad mortgage is the one that keeps you stuck in that house, because you're worried about affording and a dinner out because of the mortgage.

A good mortgage is one that really opens up your life and gives you flexibility and is less than what you would pay in rent. It is less than a lot of your other expenses added up, so that you can actually live a life. Just do the math, do some really good questioning, start siphoning off some of that paycheck into a reserve down payment fund, and start getting excited. Research, look into the market. Even if you're not looking to buy this year, or even next year, just start educating yourself about home values and the different neighborhoods and what your – how far your money can go and it really can start to give you more perspective. Talk to homeowners, talk to realtors. It's all good education for now. Are you thinking of buying in the near future?

[0:12:58.4]

RS: Yeah, potentially, potentially. I mean, as someone who lives in New York, rent can be very expensive. You always wonder if owning your own home would be something where you can build a little equity and yeah, just for a long-term planning. Like you said, I think it's really important to run the numbers. It's a topic that people get emotional about and there's a lot of psychological aspects to it too, just from what we're taught from our parents. I do think what you say is important and that you got to make sure this is not something that's tying you down, and that's really going to enhance your lifestyle.

[0:13:44.5]

FT: Yeah, and the quality of your life, right. If it's going to be a drain on you financially and psychologically, no. Just rent. All right, so a question here that I'd love to tackle first is from

Rana. This is her situation, she wrote to me on Instagram, she recently accepted a job offer and she was even then not sure about taking on this job offer, but it became clear that she just had to because her current employer basically said to her, “We’re not going to be able to promote you at this time, financially, title-wise it’s just not happening anytime soon.”

She really wants to move on and up in her career and this other job came about and she took it. She accepted it recently. Come to find out that now that she’s told her employers she’s leaving, they want to counter. Okay, what? Okay, geez. Why couldn’t you’ve told me this before? Now that it’s real and she is given her two weeks’ notice they’ve said, “Okay, you know what? We can promote you, but it’s going to be conditional.”

There’s the condition, okay? They’re going to offer her to double her pay almost for the next 12 months, but only towards the end of those 12 months can they have another discussion about next steps. It’s not guaranteed that this will be a permanent promotion, so there is that risk. She says this is financially – staying with my current employer, making twice my income is just is financially way better than the other job offer, so should I stay, or should I leave?

I don’t know. I feel like she should stay. I feel like she should stay, but not until she first goes back to the other place, even though she’s accepted the offer. I mean, just be honest. Say, “Look, I wasn’t expecting this at all. My employer told me they couldn’t do anything for me. I willfully accepted your job offer, only to find out now that my employer actually would be willing to keep me for double the salary.” Don’t tell them the condition, don’t tell them they’re going to maybe give me the boot after 12 months. Just saying this is what I’ve been offered, and is there anything that you can do to sweeten the deal?

If you do like this other employer, be honest about that too. “I really love your company. I love the idea of working here, but they’re making it really hard for me now to stay true to my acceptance because of this financial – huge financial difference in pay.” See what they would say. I mean, life happens, right? This was unintentional in your end. Your company put this out at the last minute on you. I think it’s worth seeing it through a little bit and seeing maybe if the other employer would – the other job offer would sweeten the deal. If not, I mean, I just feel if you’re going to get double your salary, take double your salary. If they don’t offer you a job after

12 months, I think your responsibility with doubling your income is to save a ton more than you are now.

Pretend that you're still only making what the other job offer was and bank the rest, so that if you do find yourself in 12 months out of a job, that you have the financial runway to look for another job and not feel like you have to take whatever first job you get. What do you think, Reuben?

[0:17:23.2]

RS: Yeah. I think, I would agree with that. I think first of all, yeah, it's important to just be transparent with the employer that she already accepted a job at. You never want to burn bridges, will be surprised that how small the world can be sometimes. It's just important to be transparent and honest. You could explain to them how the other company is willing to double your salary and you can see what dialogue, or discussion emerges from that.

I think your point about saving your money and acting like you're continuing to earn the same salary and saving that money is extremely critical, because then when the end of the two years comes up and say maybe she doesn't get the promotion, she has a little more flexibility and leverage in terms of looking for other opportunities.

[0:18:20.9]

FT: Yeah, thanks. I mean, I just think this is a great gift if it does work out the way it does work out, if they end up giving you the extended promotion, even better. If not, you need to look out for yourself. The best way to do that is to hoard as much cash as you can over the next year. I would also – I didn't mention this, but now thinking about it again in the spirit of transparency, getting your current employer to have something in writing from them in case you feel the need to show it to this other competing employer, like this isn't something – you're not making this up. I know it sounds like you made it up, but you're really not making it up. They actually did put a twist at the end of the road here. Good luck Rana and let us know how things work out for you.

All right, Jesse has a question about marriage and money. Reuben, are you partnered up yet, or what's your situation?

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RS: No. No, I'm still single.

[0:19:21.9]

FT: Still single. Okay. Well, I think you'd still have some perspective here for Jesse and I certainly do. She's about to get married and neither of them has yet to discuss how they're going to manage money in the new relationship, in the marriage, their if or how they're going to co-mingle their finances. What should she do? How does she broach the conversation?

Well, happy to hear they've yet to tie the knot. There's still time to – I mean, it's never too late, to be honest, to talk about money in your marriage, or relationship. Preferably you do this before you tie the knot. It's good to just square away some of the logistics and the how to's prior to marriage. I think that there are a lot of things to consider here, but her question is really about how to break the topic, how to break the ice.

I feel you just have to break the ice. Just bring it up, maybe not out of the blue. Maybe you first do it via e-mail like as you're probably communicating all day with your honey, like texting e-mailing and be like, one of those texts, or one of those e-mails you'd be like, "Hey PS, since we're spending all this money on the wedding and finances have been coming up maybe organically, I just really feel we should have some plan, or some discussion around our money before the wedding."

If it helps, throw me into the conversation. I always tell couples if you need someone – if you need to blame it on someone, blame me. Be like, "I was listening to So Money, and Farnoosh, she's this woman and she's a little crazy sometimes, but she really recommends that couples talk about their finances as soon as things start to get serious. We're getting married, so what could be more serious?" Just to maybe put a few things out in the open, like our salaries, our savings, our independent investments, debt levels, things like that.

You may know some of these things, but it's really important to now as you're getting married to touch base again on these very basic things about each of your financial profiles. Break the ice by either saying you heard on my podcast that's really important to do this, or you can use an example of an acquaintance that you have, like Cheryl and Tom got married, or Mary and Julie got married and they made sure to do this before they got married with their finances.

I'll tell you what my husband and I did. We were about to move in together. We weren't even engaged yet, but we were moving in together, which is was a big step. We went to our favorite bar and ordered margaritas and took post-it notes and pens and wrote down our individual incomes, savings, totals, debt, if we had it, mortgage, things like that, 401k credit score and we just swapped those numbers. It was like a numbers swap.

A part of me at that point wasn't – I didn't feel like I was going to be in for a big shock. I felt I had a sense of a lot of these things, but you just need to know. Get it in writing, because so many – Reuben, a lot of partners don't know each other's incomes.

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RS: Yeah, that's true.

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FT: That's shocking to me. It's like, how do you not know that? We know a lot of other things about our histories, but we don't know the salary history, or just current salary. I think that's so basic. You got to know this stuff. Then the other thing to talk about is how are we going to manage expenses? Maybe this is the time to talk about opening up a shared savings account, or checking account, because you're going to be getting good news, some money from your guests for your wedding. That needs to go somewhere.

I would love it to go into a joint account. I don't think everything is to be shared. I'm a big fan of yours, mine and our account, but maybe this could be a great way to hey, we're going to be getting all these checks. Maybe that's the icebreaker. I anticipate we'll be getting some money for our wedding as most wedding – that's what happens at weddings. That's the good news. We

should put this somewhere where we can both access it and that could be the beginning of a bigger conversation about money.

Have you ever talked about money with a partner, Reuben?

[0:23:53.5]

RS: Yeah. I mean, I think even when you're just dating people, it's something that comes up. I think it can be a sensitive topic. Some people, they view it as like – they may take it like, “Oh, if you love someone, then money shouldn't be an issue.” I think that your suggestion about how to introduce it, or how to bring it into the conversation is really good, because you're segueing it into their – especially the suggestion about hey, we're going to be getting all these wedding presents. Where are we going to put all that money? I think that's a great way to start the conversation and then hopefully start some conversations about financial planning and planning your futures together.

[0:24:45.8]

FT: Cool. Yeah, so well good luck. I mean, I know this is the fun stuff, planning a wedding can be a little stressful. I think having an early conversation about this rather than later will benefit the two of you. Maybe too, you talk about prenups, I know that's a little may seem a little out there, but more and more couples are doing them, because as you marry sometimes later in life, or you marry with assets. A lot of us are entrepreneurs. We have inheritances potentially. This is stuff that we do want to protect in the event of a breakup and I know we don't want to think about that right now, but it's the thing where it is – do it in the spirit of love.

If we do break up and which we don't want to happen, but if that happens, we love each other so much that we don't want to make things even messier with not knowing how to manage the money, or divvy up the money and the assets in that scenario. We're going to just take care of it now and call it a day.

We have a time for one last question from Darren. I wonder Reuben if you have had this experience. I certainly have. I will admit that I can concur with what Darren is about to ask and it

is is it okay to open up a credit card just for the rewards, the immediate rewards in some cases, and then really not use it afterwards? There is this one card in particular that he says it's offering tons and tons of travel rewards points, airline rewards. By signing up and using the card for a minimal amount for the first few months, he is eligible for so many points that basically ends up becoming a free round-trip ticket.

He's tempted to open it up, but then really he doesn't care to use it after that. How does that rank in good financial practice versus bad financial practice? I feel like, if he's not somebody who is in debt currently and has a handle on his finances and he sees this card as a way to leverage to get perks, I mean, open it. I wouldn't say just abandon the card. Maybe the trick is to keep it relatively active by assigning one bill, one recurring bill to it every month that you pay off automatically with this card, and then you resolve it with a checking account.

Here's the reason why; if this is also a card that comes with a relatively healthy credit limit that would help your credit score effectively. By not using the card after the first few months, it could go dormant, it could get shut off down the road by the credit issuer, credit card issuer, which would then take away that credit limit and I know, if he's not someone who has debt, it may not matter, but it's better to have more mixes of credit than fewer mixes of credit in general with your credit score. That would be the one thing that I would say to do, just to be a little more so – a little so moneyer with this whole thing that you're trying to tackle, this whole credit leveraging.

There are people out there that do this almost like a second job, believe it or not. They look for these kinds of opportunities and they bank on them and they've got multiple, multiple credit cards. I just don't have the time, or really the interest to do something like that, but there are certain credit score implications that you just want to know about before you start to open up cards left and right.

Of course, by opening up so many cards left and right, that's also a potential ding on your credit score. Some people just don't care. They just want the points, they want the freebies. I've done this. I have done this. I've opened up a travel rewards card and I had all this ambition to use the card. The truth is I never even used it to get the points. I fail to myself. I still have that card. It's a great card by the way with lots of credit limit, and maybe I'll use it one day, but I haven't had really the need.

To your point Darren, I think to this person's question's point, I think there are some benefits to it and you just have to be careful and mindful of some of these implications to your credit score.

Reuben, have you ever done anything like this? Do you recommend it?

[0:29:27.5]

RS: Yeah. I mean, it definitely is very tempting. You walk into the airport, airlines are offering it, you walk into stores, stores are offering it. Yeah, I definitely opened up cards either for a discount at a store, or to get some points upfront. I think like you said, as long as you're not in a lot of debt and as long as you remember to pay the bill on a regular basis, I like the idea of dedicating one expense that you're going to bill to that card and then paying it off. I think it could become a win-win situation where you're getting the points and you're also continuing to build your credit.

[0:30:05.7]

FT: Exactly, exactly. As a practice, I don't really know the first thing about doing this as a side hustle some people do. I know the points guy is someone who talks about this a lot and people love his advice. If you want to learn more about the ins and outs of doing something like this, I would refer you there. That's a wrap. Thank you Darren. Thank you Jesse. Good luck on your nuptials. Rana, keep us posted.

Reuben, thank you so much. Everybody check out –

[0:30:37.2]

RS: You're welcome.

[0:30:38.1]

FT: k2collaboratorsllc.com and tell us also where you are on social if we can follow you.

[0:30:45.6]

RS: Oh, yeah. I do have a Facebook page. Just look up K2 Collaborators and you should be able to find me.

[0:30:52.6]

FT: Thank you so much for joining Reuben and for reaching out and –

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RS: You're welcome.

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FT: - offering to co-host.

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RS: Of course, of course. Thank you for having me.

[END]