

EPISODE 806

[ASK FARNOOSH]

[0:00:35.0]

FT: You're listening to So Money, everyone. Welcome. Welcome back. It's Friday, November 9th, 2018. How is everybody doing? We have a really incredible show for you starting next week. Every week is I hope incredible as you would describe it incredible, but I'm really looking forward to next week. We've got two guests on that – one, David Nagel on Monday, who almost died and survived and is now helping many people take a deeper look at their lives, understand why they are worth more than they think, and go out there and make the money. He's got some really incredible strategies around how we can go out there and enhance our financial lives, through earning more, which is very much a passion of mine.

Then on Wednesday, November 14th, stay tuned for Dan Schawbel. He has an important book out, looking at the workplace culture. A lot of us work from home right now. Even if we do work in a corporation, or at an office, you may feel sometimes like you're not connecting with your colleagues, you're not really connecting with the values that are at work. He is actually a recurring guest on this show and a friend. He's been on this podcast before. He's a millennial and workplace expert, but he's got a new book out and we're going to explore all the things that he's discovered about the future of work.

He and I are actually doing an event together, along with the star of Bravo's Million Dollar Listing New York, Ryan Serhant at the 92nd Street Y on November 26th at 7:00. It's an intimate event, a 100 people, tickets are – a few of them are still left. If you go to 92y.org, you can purchase it and we can hang out. How about that? I just wanted to give you some of those updates and things to look forward to on the podcast.

Also, really excited to introduce to you our co-host today; she is a listener from day one. If you remember, I said earlier this is episode 806. She deserves a gold medal for staying with the show for all of those episodes. Her name is Pareasa Stewart. Before I bring her on, I want to brag about her for a little bit; she's a millennial 27-year-old woman, she has a corporate job in

the mortgage industry, she hails from Houston Texas. She worked all throughout college and graduated with zero in student loans. For that, I think she deserves another medal.

She also has a passion for real estate. Her forte is real estate, she says, as well as overall financial planning and budgeting, career, retirement. 27-years old and that interested in money I think is incredible. I look forward to sharing the mic with her as we go through your money questions today.

Pareasa, welcome to So Money.

[0:03:39.3]

PS: Hi Farnoosh.

[0:03:41.0]

FT: Cannot believe you've been with us since episode one. Can I even ask you what is your favorite episode, or what was it that got you hooked?

[0:03:50.9]

PS: Honestly, I think the reason I was so drawn to you was really your – I'm such a huge super fan. This is so ridiculous. I remember you, even from your young days. I remember, Yahoo used to be my homepage on whatever, like on my internet browser a long time ago. I think you would do financial – just little money videos and segments and stuff on Yahoo. I just remember you from that, and I think that the name was familiar to me.

[0:04:27.8]

FT: That little show was three years of my life. It was called Financially Fit. It was an incredible journey. I felt like by the end, we had been on this crusade of helping people with their money. We were traveling the country, meeting really interesting people. Yes, it was a lot of like, three tips for this or four ways to do that. I think the opportunities that it gave me as a reporter, as an

expert, as someone who really cares deeply about money was unparalleled. I have yet to replicate that experience. I'm so grateful for it.

It was the thing where yeah, I mean, talk about exposure; Yahoo. A lot of our shows would air on the homepage of Yahoo, although it was a staple over at Yahoo Finance. I mean, I remember one day, I walked out of my favorite Mexican restaurant on the Upper West Side and I hear, "Farnoosh Torabi?" I'm like, "What? Is this someone I used to work with?" I mean, I'm not used to getting recognized at this point on the street and this guy says – I remind you, at my favorite Mexican restaurants. It was the perfect day.

I was like, "I just had a great meal, I'm at my favorite restaurant, I had a delicious margarita and now I'm walking out and now I'm being recognized," and this gentleman came up to me with his wife and their baby. They were like, "We love your show Financially Fit. It's so great. It's so great to see you in person." I'm like, "People actually watch this thing." I really appreciate that. It's always nice to know that people are recognizing your work, even if it was years ago.

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PS: Oh, yeah. Also with your – it is your most recent book, *When She Makes More*. That one was introduced into my life by my mom. She's also your fan. We're just at your –

[0:06:12.8]

FT: The whole family, right? Next time just bring – a whole family show, how about that? Yeah, you wrote to me talking about how much your mother is a fan of this show. You're half Iranian. I'm a 100% Iranian and your mom's Iranian, and I think that was maybe part of the draw. I really love that she was such a positive and still is a very positive financial influence on you. I think, that's something that we often don't recognize enough is that mothers, I have read, do more to influence their children, particularly their daughters when it comes to our relationship with money. Tell us a little about your mom, because she sounds like a rock star.

[0:06:53.2]

PS: Yeah, definitely. My mom came to this country in the late 80s and she came here, she went to a university down here, but she got her bachelor's in engineering, masters in counseling. She's actually a teacher. She's the OG hustler. She's amazing.

[0:07:13.2]

FT: I love it.

[0:07:14.0]

PS: She has been working – Oh, my God. She's amazing. She has had a business mind ever since I could remember. I remember I was in daycare, I would shave pencils and color them with gel pens. Everybody thought it was so cool and people were like, "Oh, my gosh. Pareasa, make me one, make me one." My mom was the one who taught me how to make a business out of it. She was like, "All right, let's go to Target. We're going to get you some pencils. We're going to start selling these to the kids at school and we're going to –" she instilled that entrepreneurial spirit inside of me, seriously.

I mean, she's always been very entrepreneurial herself. She's worked two jobs, as long as I can remember. At first, it was during the downturn of the economy, she was helping out the household. For her, she really honestly just loves it. She's looking forward to the day when she retires from teaching to be able to work part-time doing what she loves. That's mom.

[0:08:09.6]

FT: Yeah, she reminds me of my mom. She reminds me a lot of Iranian people that I admire in my life. I don't want to say it's just a cultural thing, but I do think it's an immigrant mentality, whether you're from Iran, or anywhere, any part of the world you come here and you're like, "I'm here. I made it," right? I'm not going to just sit on my butt.

[0:08:28.1]

PS: Exactly.

[0:08:29.7]

FT: We're eager to apply ourselves and to soak it all up, because every day is a gift that we were able to leave and leave successfully and come here and be accepted. That warms my heart. I'm really excited to hear from you. Let's hear more about you. I did a little bit of a descriptor; 27, I'm going to get you a date. I'm like, "She's 27, she works in a mortgage industry, she's from Houston, she's a Sagittarius." No, I don't know what you are. What has made you so fascinated with real estate? Is that also part of your Persian DNA maybe, because the Persians love real estate?

[0:09:07.9]

PS: I know, right? That's a good question actually. I think it was all by chance. I used to work in wealth management actually. Then I was made off from my last job, for my job in wealth management. While I was applying for other jobs, I was looking for something similar to what I was doing before. I had an interview that went really, really well, but at the time I was still in school and of course, timing it didn't line up, or it really didn't work out like that.

The guy who had interviewed me set me up with a recruiter. He was like, "We really like you. We do see success in your future. Just reach out to this contact and hopefully you can find something that's a good fit." It happened to be a recruiter in real estate finance. I never put this two and two together, like I've always loved finance, I've always loved real estate, but I've always just done it separately.

Then I got my foot in the door with this mortgage lending company working in the appraisal department. From there, it just blossomed, like the beginning of a love story. I went and got my real estate license. I haven't started yet, but my goal is to invest in real estate and hopefully move into the multifamily, get into that space.

[0:10:29.6]

FT: To be a landlord. Do you think you have the – I don't know, it takes a lot to become a landlord, right? It's a lot of work. It's a lot of emotional work, as well as physical work.

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PS: It is.

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FT: You ready for it?

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PS: You know, I have a lot of – my parents have actually invested and they have a couple of single families. They did it long-distance. I don't know if I can do that. I feel like I learned a lot from my parents' mistakes, but also their triumphs. It has its ups and downs, but I think I've got it in me. I think it's fine.

[0:11:01.3]

FT: Okay. I trust that. I trust that a lot. All right, you are going to help us out so much. I feel it. We have a bunch of questions that came through on Instagram, as well as our site somonypodcast.com. Just reminder to everybody, if you want to send in your question for this show, you can do it via Instagram. Just direct message me there. Follow me and then direct message me, so that I can see your note. Then if that doesn't work for you, you could also go to somonypodcast.com and click on Ask for Farnoosh. There, you can also leave in a voicemail. Sometimes we like to air our listener's voices, which I love because I love to hear your voices and imagine, I don't know, that you're actually here with us.

There's also other ways too, Facebook. Goodness if you see me on the street. I don't know, pass me a note. There's a lot of ways we can get your questions on the show, but Instagram and the website are pretty much the two biggest funnels.

This first question, Pareasa, comes from Krist ENN in Instagram. How much should I have in savings as a 21-year-old moving to New York City? Then her second question is that she's used about 45% of her credit line. Unfortunately when she did that, her credit got checked the same day and it knocked her credit score down about 50 points. Will I be able to recover from that, she's asking? She has since paid off the card completely, so that's good. What do you think about her first question? What did you have saved at 21? Although you were living in Texas. Imagine you're moving in New York and I live here, so I'll be the judge of it. What do you think you need coming to New York? It's the most expensive city, maybe next compared to San Francisco. Maybe they're on par.

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PS: I can't even imagine, because I mean, I've never – I actually have never been to New York.

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FT: Really?

[0:13:01.2]

PS: Yeah, I've never been. I would love to. I have some family out there too. I mean, I need to make a trip. I'm going to make a trip out there. I'd love to see some of your stand-up when I go, I'll make it to that.

[0:13:12.4]

FT: Yes. For sure, there'll be more.

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PS: Now for myself here in Texas, I live on my own. I feel comfortable with a \$10,000 cushion. I think if I were to translate that into New York dollars, I would honestly think to my – I don't know.

Maybe I'm like, this is too much, but I would feel comfortable if I had \$30,000 on the side as my emergency fund/cushion/whatever. How did I do?

[0:13:42.4]

FT: Yeah. I would say that – I would just layer on top of that, remind anyone moving to New York City who plans to rent here. This is probably true of most cities, but because rent here is so high, you want to really, really be prepared for this; is that a lot of landlords will require first and last month's rent, plus a security deposit, plus sometimes if you used a broker, you pay a broker's fee, which is it could be five figures by the end of the day. It's like you're putting a down payment on a mortgage, but it's just to rent a studio.

I would just measure that as well before you move here. I'm not saying everyone has to do that, or that's what's required of all rentals. If you're not prepared and you don't do research, you could end up stuck paying a broker's fee and not being able to find a place that is within your budget. If you're moving here quickly, time sometimes can put a pressure on that. That's that.

I wouldn't say you need a huge savings account, as far as a rainy day savings account. Look, the more money the better. I don't want to say you have to have a year's worth of savings, or even maybe six to nine months as I typically say as a general advice. I think in New York if you're 21 and you've got a college degree and you are a go-getter, it wouldn't probably take you much time to find paid work that you like in your industry. We have so much representation here across all the industries, particularly things like media, finance and the arts. If you were interested in those fields, you'd probably find something fast.

I don't suspect you to be unemployed for very long, is what I'm trying to say. You don't need to have years' worth of savings. Don't let that stop you. If you really want to come here and live it up and live securely, I think the more money you have, the better for sure. Good luck to you Krist ENN. Excited for your move.

I moved here when I was also around your age and I lived with a married couple. Yeah, paid \$550 a month in rent, because I rented a room in their apartment. It had its own bathroom, thank God. It was also a rent-controlled building, so that's why it only cost me 550 bucks. I tell

you, I had that on my list when I came to New York to visit these homes, these apartments to decide where I was going to live. It was the last on the list, because I assumed it was going to be a scary place like, "What?" Because most places, we're going for \$1,200 a month for a tiny 300-square foot room, where you're bathing next to your stove and not necessarily a safe building, or safe neighborhood. I was like, "Gosh, this is going to be even more terrifying. How could it possibly be a good deal?"

I got there at the last minute. I was about to leave the city. I was like, "Let's check this place out." It checked off all the boxes. Then some and it was a steal for what I was getting. I ended up living there for about two years and really getting ahead financially. I always say, don't discount anything until you go there and see it, because there are some real steals here in the city. It's going to be a matter of just building out your network, talking to everybody you know, letting them know you're coming here, you're interested in living here, keeping an eye out for you. A lot of these apartments that are attractively priced, they go quickly and they also go on the market at the last minute. You got to be flexible. The more nimble you can be, I think more better, more likelihood that you'll find something that's within your budget. Good luck.

Sharon is now writing to us on the website somonypodcast.com Pareasa, and she wants to know, I like this question a lot; do you have any tips, or advice for women who are starting to invest and learning about money late in their 40s? She says, "I read everywhere that I need to start young. Unfortunately, now until – now that I'm in my 40s, I haven't started. I know it's better late than never, but I also feel like I've missed out on so much," she says. What do you suggest I do? P.S., she does have a lot of fundamentals in place, she's got index funds, she has insurance, she has funds for her kids' college, but she does have a lot of debt from a failed business, so she's looking for any and all advice.

I would say if you've got access to an IRA, Roth IRA already, you should double down on that and make sure you're maxing out those IRAs. If you're self-employed, sounds like she might be self-employed because she talks about a failed business. I have a SEP IRA, which is great. It lets you invest in as much as over \$50,000 a year if you wanted to. If you really want to play some catch-up and get in the market in these tax-sheltered ways, tax advantage ways rather, a SEP IRA might be a great way. A SEP IRA works like a traditional IRA in that the contribution can be tax-deductible from your income and then you save money on taxes.

You can also invest far more than a traditional IRA. You can invest like I said, over \$50,000 this year. Look into that. Maybe that'll be some – one way to play some catch up. If you're not self-employed, you work for an employer, I would say definitely take advantage of that 401k, especially to the point where you can maybe bank on some of a company match if that exists, because that's a bit of free money for you.

Index funds are great. I like that she's already gotten into that. I mean, at this point I think Pareasa, it's really just about investing more than the average person in her 40s, who's been investing since she was 20. Typically, we say 10% of your income is fine. If you're just starting at 40, I think it's more like 25%, 20% for a while, until you feel like you're on target.

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PS: Definitely. I would also say – she does mention she's still in a lot of debt. It makes such a huge difference. Just to come up with a plan on how you can pay down at that debt as soon as possible, because once you have your income no longer going out to the debt, to these creditors, or banks, or credit cards, or whatever that that may be, that means that you have more income coming into your pocket and you have more money that you can invest. It really makes such a huge difference.

[0:20:18.7]

FT: Automatically contribute as much as you can, where you're not necessarily slowing down your debt repayment. Maybe try to do both at the same time, but to the best of your ability. Then once the debt is gone, pretend it's still there and rather than put money towards the debt, throw that on top of the investment dollars that you were putting away and stick with it. Then use calculators to figure out if you're on track or not. There's choosetosave.org is one way to crunch numbers. I like their site. Then also aarp.org has a ton of calculators. Bankrate.com has a ton of calculators. NerdWallet has calculators. Just Google retirement calculator and you'll find tons.

Maybe try a few, work backwards and see actually what you need to do, because I can sit here and Pareasa can sit here and say max this out, double up here, lean into this, but you are the

one who's going to know better than anyone else what your retirement will command; when you want to retire, where you're going to live, how's it going to look like, what kinds of financial obligations will you have, where are you today, how much have you saved, what's the deficit, and so how do you fill that up? You can arrive and catch up and arrive where you need to arrive. Good luck to you Sharon. Thanks for writing in on the website.

We have time for one more question, Pareasa. Clancy Morgan on Instagram. Clancy Morgan, thank you for writing in. Says, "I love the podcast and I have a question. I'm starting a new job, which has a 3% 401k match." It's pretty good. A lot of companies have 0% 401k match, so that's something. He says – I believe it's he. Maybe it's a she. I'm not going to guess, but he/she says, "I will definitely be contributing to that." Great. "Does it make sense to also contribute to a Roth IRA? Would my money grow more if I just put everything into the same account, instead of splitting up my investment? Thanks again for all the help from your podcast."

I have a thought about this. If it's that you're looking at a 401k and a Roth IRA, I like that combination. It's not because I think that the combination is going to get you more money down the road with the way that the money is being invested, it's this, it's that the 401k gives you a particular tax benefit, right? Which is that today, you'll save on your taxes. The contribution is deductible from your taxable income today. Down the road when you withdraw the money, you pay taxes on it.

The Roth IRA has a future tax benefit, right? It's the opposite. You contribute to the Roth IRA and in retirement, those withdrawals are tax-free. I am a big fan of diversifying your tax exposure in retirement. You don't really know where tax laws are headed. A lot of us could guess they're just going to get higher, but we don't know. Then you don't know what your income is going to be in retirement, or the age that you want to withdraw from your retirement accounts and what taxes exposure you'll have.

Diversification helps to mitigate risk and it's something that I see others advise as well and I do this for myself. I have a Roth IRA, I can't contribute to it anymore, but I'd have it and the money is growing. I have also other vehicles too that have different tax exposure, so that I can arrive with some balance – with a balanced act of portfolios. He's asking, or she's asking is it going to earn me more money to do this versus that? That's anyone's guess. I don't think that we could

definitively say yes or no to that, but we do know that when you have a Roth IRA over here and a traditional 401k over here, what you will end up with in retirement is a little bit of diversification for your tax exposure, which I think is a good thing ultimately. What do you think, Pareasa?

[0:24:23.3]

PS: I have both myself. I have a 401k with the company that I work with and I have a Roth IRA that I've been contributing to for a good while now. I try to max out my Roth as much as I can, because I actually – I have full control over the funds that go into it. I can look at things like the expense ratio, I can look at the holdings in it. You have more options. When it comes to a Roth IRA, it's your own personal account. Whereas, usually with a 401k, I guess they just give you a list of funds to choose from and they're not always the greatest selection. I have 20 funds to choose from in my 401k. Some of them have really high fees.

[0:25:06.5]

FT: Thank you for bringing that up, because it's not always going to happen. Sometimes people love their 401k's, because they love the access to the different options that that particular plan provides. Some others may find it really limiting. The advantage to going to an IRA of any sort, traditional Roth, is that you have access to virtually anything. That gives people the sense of more freedom and more license to choose the investments that are in some ways more aligned with their values, or are more affordable, or just have better track records. Great point.

All right, I feel like we've done some pretty good work here. We've helped a lot of people; Clancy Morgan, Sharon, Krist ENN lean back. I really appreciate you guys and gals writing in. I hope that Pareasa and I have been helpful. If we missed anything, if you want to follow up with us, we love the follow-up stories. Let me know, but give us advice and it goes into the ether, but would really make my day if I heard back from you, even if you did a different thing, if you took a different direction, I do like to know how you're doing, because I care about you. I do.

You can tell me on Instagram. You can find me on the website. You could e-mail me, farnoosh@farnoosh.tv, just like Pareasa did to connect with me and become a co-host, still looking for those helpful people out there who want to co-host with me. Don't be shy. Let me

know. Pareasa, I'm so excited for you. I love having smart, go-getting, vibrant women in the audience like you. Thank you for you reminding me of why I do what I do and I really appreciate that.

[0:26:43.1]

PS: Thank you for what you do, because you are an amazing influence in my life. Your podcast brings me such joy and so much knowledge. I am immediately smarter because of it.

[0:27:01.6]

FT: Well, I'm not going to take all the credit. I'll take a little credit, not all of it. Truly, thank you and best wishes to your mom, you raised an amazing daughter and the two of you sound like an incredible team. I think you guys need to go into business together, that's what I think.

[0:27:17.8]

PS: Yeah. Okay, don't give her any ideas. Come on.

[0:27:22.1]

FT: I'll just take 10%, that's it. It's all I'm asking. Thank you so much. I hope you have a great weekend. Everybody, I hope your weekend is so money.

[END]