EPISODE 833

[ASK FARNOOSH]

[0:00:34.3]

FT: You're listening to So Money everybody, welcome to the show. Hey, you know, it's kind of the anniversary of So Money, almost. You know, we launched on January 14th, 2015, that's going to be Monday, that's the official four year anniversary for this podcast, can you believe it?

If you've been listening from the beginning, I just want to say, God bless you, you're a rock star, it's one thing for me to be producing these shows. Over 800 of them. But I think it's more of an effort frankly for you to keep up with all the episodes. Truly grateful, so appreciative and excited that the show has really evolved in a way that I think really is aligned with how you like it.

You have been weighing in and giving me feedback these last four years and I think that today also, the way that we've been doing the show on these Fridays is an example of how the show's evolved to be more, you know, more fun, more engaging. It used to be just me answering your questions on these Fridays all by my lonesome.

Actually, on the weekends, remember I used to do a seven day a week show? Now I bring on a cohost, oftentimes someone plucked from the audience and sometimes someone who is a financial expert because I'll be the first to admit, I don't know everything. It's helpful to have someone also on the show who has a body of work, years of experience, knows money inside and out, works with clients all the time and today we have this kind of person, we have an incredible cohost with us.

I'm going to go right to her because I don't want to waste any more time. I've got some incredible questions to tackle, thank you to everyone who has been writing in or audio-ing in and Instagramming all of your questions, we're going to tackle as many of them as we can today and to help me steer the ship is Megan Gorman.

Welcome to So Money, Megan.

[0:02:23.9]

MG: Hey, Farnoosh. Happy New Year and happy anniversary. Thrilled to be here.

[0:02:28.4]

FT: Well, happy new year to you as well. I'm truly excited to be sharing the mic with you today Megan, you know, we have some sort of difficult questions coming up, multilayered and you're such a pro, you're the founder of Checkers Financial Management, you're a Forbes contributor, your blog is called the wealth intersection which is all about the intersection of personal finance and daily life.

Obviously, very passionate about money, you've been working in this space for decades, you're based in San Francisco.

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MG: Born in Jersey, living in California now. I'm so thrilled to be here because as you pointed out, some of the questions we're going to go through today really complex and yet, I think that there are questions that most people have. Actually, you know, I ended up looking at this with my team and we were saying, we hear these stuff with question all the time.

I'm looking forward to really getting into the details and providing some advice.

[0:03:25.8]

FT: Thank you so much. I'm so – how did you get into the space first of all? What drew you to the money world?

[0:03:32.7]

MG: Well, I mean, I think I've always been fixated on money. I'm a Taurus, the astrological signs, we are the money sign. But you know, I think it came really down to in law school, I took a tax class and for anyone who is interested in tax, what we'll tell you is it's all about puzzles and thinking and working through all these sort of games with how do we get the rules to work for people's situations?

That combined with my love of history. You know, it's sort of – it was a good fit because people are complicated. What you find with finance and with money and Farnoosh, I'm sure you see this all the time is just because an answer is right for me, it doesn't mean it's the right answer for you.

Because we have such different personal backgrounds. That's what's key here.

[0:04:22.3]

FT: Personal finance is personal. In these episodes, you know, these ask Farnoosh shows, we get to hear a lot of personal situations but I think we all can identify even when the questions are so personal, we can see ourselves in these complexities or in these scenarios.

I do think there's a little bit of voyeurism too that's at play, we like to see what's going on other people's lives, it gives us maybe some reassurance or a feeling that we're not alone as though it could be very easily, a situation that's happening in our own lives and then to hear the solution, we can apply it to our own life.

Believe it or not, these episodes are actually in some cases more popular than my interviews that happen on Mondays and Wednesdays. If that says anything.

[0:05:10.1]

MG: Yeah, I think it does. All of us, it's funny because my firm works in high net worth, ultra-high net worth and you know, what you find now is that all of us have these insecurities. It doesn't matter how many zeroes you have in your net worth, whether you're worth a thousand dollars or you know, 500 million dollars. Insecurity is one of the biggest things that all of us experience in our financial life. I think part of what makes this show so valuable is it's about talking through those issues.

Making yourself realize that you know, the things that keep you up at night about money where you're going, my God, can I pappy that bill, can I afford to do this, we all do it. It doesn't matter who you are, we all worry about money.

[0:06:03.0]

FT: Student loans also is a big topic of concern, it's not just something that impacts recent grads, right? I have friends who are in their 40s who are still grappling with student loans, medical school loans, you know, MBA loans and some cases, you know, even some of those undergraduate loans that have just been haunting them for the past 15 years.

This transitions us to the question we have here on Instagram, we have a question from @makeadventureswithbry, that's the handle. The question is about student loans, in this case, our listener, she's 25 with a degree in electrical engineering and right now, says that the student loans are setup for a seven year payoff if she sticks to the minimum payment.

She says, there's a little bit of money to go around though at the end of the month and now wondering, should I just stick with the minimums and write out this loan or these loans for seven years or am I better off paying them down faster and then taking what's left after that, getting rid of the loans sooner than using the money that's left from there to invest in the stock market?

I think the question is, you know, what's the better tradeoff, we don't know the interest rates on her loans, PPS which would be helpful to know. My sense of it is Megan is that this person feels as though, as long as the student loans are in the picture, she cannot invest in the stock market.

[0:07:39.0]

MG: Well, I want to challenge you on that okay? First of all, I'm 42, I went to law school, I'm still paying my student loans. Now, in my situation, you're at a very low rate and I believe I can make more in the market but you know, in this situation, you know, first of all, this person is 25 with a degree in electrical engineering which is phenomenal, right? I think it's a really complex field and it's also a career path that you know, has a lot of potential for high earning, okay?

You know, if this person, as they're going down the path right now, they're just starting out and I think from an engineering standpoint, right? Engineers like process. I think – framing this question with a little process might help a bit because the process I would put around this is you need to look at every financial question from a tax angle and from a cash flow angle.

I don't know how you feel about that Farnoosh but I think taxes are key here. Because if you're 25 and you're just starting out, right? There's a good chance your income is $65,000 or less. As a single filer, that's an important demarcation. Because if you make $65,000 or less and you're paying student loans, you are getting the student loan deduction of $2,500.

Two things to note that the phase out for that is actually at 80,000 for single filers. At 65 and below, you do get the full benefit. If you think about it from a tax standpoint, if you're paying your student loans, you're probably getting about $625 savings which might be one month of student loan payment, right?

As you think about the numbers in this situation, right? I mean, you have to almost look at your loan payments and net them out. How much am I paying a year, less the tax savings so net, this is what I'm paying, right? There's some tax benefit. Over the next seven years, this individual is an engineer, I mean, engineers can make serous income.

This individual might cross that $65,000 mark and lose that deduction. I think to some degree, from a cash flow standpoint, you want to map out what you think your projected income is going to be over the next seven years. Look to one, maybe you realize there's certain point in time, the loans become completely useless to you if you have very high rates on that.

Whereas right now, if you're making under $65,000, at least you're getting a tax benefit. Farnoosh, most 25 year old's don't have many tax deductions. I didn't at 25, I don't know, did you?

[0:10:20.2]

FT: No, because I didn't have any kids, I didn't have a mortgage really, I was completely free of most adult responsibilities, you're absolutely right. This is really good Megan, you know your stuff, you know what you're talking about. This is really am great to hear, I love how you're driving this home for us and I love what you're saying here about looking at the tax benefits and the cash flow benefits and putting it in this kind of a framework.

Also looking at it as a process or a system for our listener here who is clearly science minded and I know, I come from an engineering family, I completely get it, totally get it.

[0:10:58.2]

MG: I'm married to an engineer, everything's a process. I think it helps – mine too, it's perfect. I think with the cash flow part, right? I think we have to sort of debate this, right? Because net, if this person can afford an extra payment and then it seems like even after the tax benefit, there's even a little bit more.

You know, my gut instinct is if the loan rates are high, right? I would on an after tax basis, I would chip away at the loans. But if the loan rates are competitive, right? If you're sitting there and after you factor on an after tax basis, you pay, two and a half, three and a half percent and you think about, you think, well, I could put the money into the market, I could today fund a Roth IRA which I might not be able to fund in five or six years because my income threshold might be higher. The power of compounding, you know, I think that you could split the baby here and do a bit of both.

[0:11:56.6]

FT: I like the hybrid approach, you know, I'm always looking for the hybrid way that people can tackle two things at once, should I save or payoff my debt, should I invest or save, should I – I'm like, why does it have to be zero some gain, why does it have to be either/or. Maybe you can do a little bit of both, it may take a little bit longer to achieve both goals but at least you have some skin in the game on both ends and II think you're right about looking at things historically.

What does the stock market return versus what is the interest rate on these loans and you know, we've been talking about a lot of math here but I think there's something to be said too, Megan about the emotional benefits of being debt free. Let's just maybe address that a little bit too. Because if these are really high interest loans, mathematically it would make sense to be aggressive with them and pay them off sooner than later but also, there's something to be said about going to sleep at night knowing that you don't have these expensive bills for the next seven years.

[0:12:54.0]

MG: I agree, you know, I'm not a big fan of debt but I will tell you one thing that I've learned over you know, the decades of doing this and watching. That is, you know, as women, right? I hate having mortgage, I like to pay down my debt, I paid down my expensive student loans. At times, women also need to factor in and I'm assuming this person in the situation might be a woman that we have to also make some financial, take on some strategic financial risk.

I think the balance between paying these off which they be paid off in seven years but also, jumps starting other things in our financial portfolio can also be key because I do find with my male clients that they don't need encouragement on leveraging, right? Men love to leverage.

With women, you know, there is sometimes, okay yes, we are going to pay down debt, right? That's a good thing but look, you know, you're 25 years old and what if you decide you want to have a family and take some time out of the workplace. How do we make sure you keep catching up in building your financial portfolio?

That might be why something like the hybrid approach is the right approach. I do agree ultimately being debt free is key but for women out there, think about being strategic and when you take risk because it will help you and at 25, you're in it for the long game. You know, investing in the S&P today, by the time you're 70, that's a powerful thing.

[0:14:29.4]

FT: What do you think about all the chatter around recession in 2019 this year, now. You know, it's like we've been talking about 2019 being the recession year and here we are, a lot of people are uncertain about whether to invest because they're thinking, well, if this is the year that things are going to go south, really, why now? I'm going to lose all my money or a lot of it but I would argue that this is the year to invest, you're going to get maybe a lower return this year but you're buying in at some pretty cheap prices at some pretty cheap evaluations.

Stocks are getting beaten, it's kind of a discount right now.

[0:15:06.6]

MG: Totally. Look, nobody knows what's going to happen, nobody knows. If I had told you that March the 9th, 2009 was the bottom of the market during the economic crisis, I can tell you. You couldn't get anyone to invest that. You know, look, you can't overthink this and financial success is a series of repeatable actions.

Think about that, it's a series of repeatable actions. For most people out there. You want to keep it simple and you want to keep it elegant and I work with wealthy people and they keep it simple and elegant at times. That is, every month, you want to be buying, you want to be buying.

This individual who is 25 years old, buy. Buy every month and buy in something that is low cost, like a great target retirement fund that's diversified because you also don't know which asset class is going to come out of the gate first if we have a recession. In 2009, it was small cap, who knew, right? You just don't know until you look back.

To be pragmatic about it and to not overthink it and cause stress, because to your point, this is so emotional. Setup a series of repeatable action and on the first of the month, you have money going into savings, you're buying a target retirement fund and you tune out the noise because remember, they want you to watch TV because they want you to be – your emotions going.

The best investors, they don't listen, they tune it out and they listen to their own voice in their head which is I'm buying. Farnoosh, I don't know how you feel about this but do you often think about who you're going to be at 50, 60, 70?

[0:16:43.3]

FT: I think about not so much my work, I do think about where I am going to be in my life as far as my relations. Okay, my husband and I, we always talk about wanting to be closer to our kids in retirement. I think now, as working parents, we're not that close in distance to our parents and that can be really challenging at times for a lot of reasons.

I don't think we want that, we kind of have already decided that we want to make sure that we're close to our children, we don't want to be working like we are now in our 60s even though we love what we do, we just feel like that's when we should be able to slow things down and we're working really hard now and trying to put our money to work now so that we can have that free time to do whatever we want to do in our 50s and 60s. Yeah, I mean, to that extent, we have thought about it.

[0:17:40.0]

MG: I think that's one of the best things to do financially, right? You started to visualize this, right? You're working hard right now, you've got a big career but at a certain point, you might want to scale back and I think that that goes to the idea of visualizing who you want to be from an invest – who want to be in the future and connect your finances to that.

That's where doing something every month and going to the market, an 11-month recession because that's most recession are 11 months. In the scheme of your life, when you're 65 and you know, you're semi-retired and you have grandchildren, it's noise in the rearview mirror. That's why I think it's more about thinking about who we're going to be in the future and then doing a series of repeatable actions, financially, to get us to that person.

[0:18:28.7]

FT: Well said. All right, this next question Megan, the bottom line question here is, person's wondering if they should liquidate their 529. This is Annie Klein GA on Instagram. Here's more on this question. She says, my husband and I have three kids under six. Busy family.

[0:18:50.2]

MG: She's in the thick of it.

[0:18:52.6]

FT: She says, we make nearly $200,000 and we have a little bit of student debt. We save 15 to 20% for retirement, we started a 529 a few years ago but we've been very inconsistent with it and has about $8,000 and we also have our 401(k). We really have no savings with the kids in a recent cross-country move.

We depleted our emergency fund, my husband works for a small company which might not be alive much longer and we don't want him to rush back into a job without it being the right fit. We estimate we would need an emergency savings fund of 20 to $30,000. The question is, in addition to buckling down our spending, do you think we should drain the 529 and you know, they say we have to pay a penalty but this cold stock up our emergency fund quickly.

Then we could restart the 529 when we're ready. We want to pay for our kid's college but we're a little overwhelmed.

[0:19:56.4]

MG: It's a tough one and I actually, you know, I debated this one a bit with my team, right? Because there's something I want, you know, and he's dealing with something that I think is – we're all dealing with, right? Which is short term crunch and what you don't want to do is hurt the long term strategy over a short term crunch. When I was looking at this, a couple of things stood out at me.

Which is, your husband is currently in a job where you know, he doesn't know if the company's going to make it and there seems like there's a lot of flux going on. From a stop gap standpoint, I would focus on two things before cashing out the 529s. The first is, you've been doing a great job on 401(k) savings.

Maybe right now, let's stop the contributions for a short period of time, just loosen up some liquidity on a per paycheck basis. The second thing that I want you to think about is you know, there's a new provision to tax code. In pre 2018, pre-TCJA, there was a child tax credit but before the new tax law, if you are married filing joint and made a $110,000 and below, you are eligible for it but the new tax law changes. So I am actually really excited about it.

So Annie and her husband make about 200,000 they are what we would call Henry's high earners not rich yet, right? They are doing really well, they are making money but because their income is under $400,000 they're going to qualify for the new child tax credit.

Which for each child under age 17, if you married filing joint making 400,000 or less, you get $2,000 per child. So in Annie's situation, she's going to get $6,000 in tax credit and it is a dollar for dollar. So remember credits in the tax world are so much better than deductions, right? So Annie what I would tell you is and I am excited here which Farnoosh says is get your return as soon as you get your husband's W2 on January 31st.

If you can, get your return filed and get this tax credit and get the money back in because that combined with the new standard deduction of $24,000, you might have a significant refund coming back that ends up replenishing some of your cash along with stopping 401(k) for a period of time and then the other thing I would do is you and your husband should sit down and for 2019 determine what date you want to turn back on the 401(k).

And then in the future I want you to take your child tax credits and use it to fund your kids 529 plans. It is obviously not going to be enough but it is at least putting something in until you feel you're on steadier ground.

[0:22:41.5]

FT: You know I'll say though, it is a little counter intuitive to what we normally hear Megan about parents don't sacrifice your own finances to pay for college. I think there is an emotional component to this question. She is struggling with the idea of not being able to contribute to her children's college fund and you almost feel like maybe I am letting them down and then we are going to have to work so much harder in the future to pay for college.

Which is only escalating in price. So I think what you're saying is interesting. I think it does make sense but it does also go counter to some of the advice that we hear out there about needing to put your own oxygen mask on first but to your point, they can really strap a lot of this cash flow, this extra cash that they may need by leveraging their tax benefits and I think dialing a little bit back the 401(k). I mean they are contributing 20% that is very good.

They could do 10% and still be doing better than the average person and probably get a nice chunk of change back in their wallet.

[0:23:45.1]

MG: Right and I want to go back to something you just said about putting your oxygen mask on first. You know I think we're told we have to sacrifice a lot for our children and women in particular shoulder this burden. You know it is always mom who is willing to give stuff up but in this type of financial planning, you know I have always looked at it as at times you need to know when to be selfish and it seems selfish to worry more about retirement at times versus the education funding.

But if you propel yourself into the future, you do not want to be a financial burden on your child. Your child is going to have to go through their own financial life and out of the gate having to support mom and dad because mom and dad didn't do retirement savings or didn't do enough that's going to be a negative. That is going to hurt them over the long term and this is where at a certain point in time, you know you've got to find the balance between being selfless and selfish.

But don't be afraid to be a little selfish about money, it has to happen. There has to be boundaries and you have to think about how are you going to survive and in this case, these two they are doing phenomenally well I mean.

[0:25:00.5]

FT: Yes, they are thinking ahead which is huge like so many people deal with adjustments in their lives in the moment. They treat it like a knee jerk reaction and a money 911 and they are thinking all right in the future what if my husband doesn't have a job, what do we do? They are seeing the future. They are predicting their outcome, their planning which I think when it comes to your money management that is 80% of it.

[0:25:28.4]

MG: Right, I agree and I think the thing is by just taking a step back, recalibrating and then propelling forward I think that will help them and I think what they have to find down the line is they should do their 401(k) but then they also need to be doing 529s but one of the things that has been found in a lot of these studies is there's an adjustment in cash flow in your children from newborn to six.

You know you are struggling with things that you don't struggle with as much financially once they are over age six. So within those years if you are not saving as much as 529 as you want to as long as you started at the child's age six and really being aggressive with it, you will get to the right place so be kind to yourself and be proud of the fact that you have something already started. I think that's the hard part of all of this is you can't be perfect all the time.

You've got to understand that financial lives have ups, downs and positive moments and negative moments.

[0:26:31.8]

FT: Well kudos really to them and I think part of the thing that we always forget to do was giving ourselves due credit. They have been doing a really fantastic job and by the way, three kids under the age of six, I bow to you all right, amazing. Our next question Megan has more to do with salary and whether or not this person she feels is being paid fairly. This is @izu on Instagram, Zartisha.

She is 24, she works for a small education consulting firm in Washington DC. She makes about $46,000 a year which by the way was how much I was making when I was 24. So all I can say is wow, salaries have been pretty stagnant for so long. What is going on? She does great benefits. She is grateful for the unlimited paid vacation. She's got a 6% 401(k) match, wow, health and wellness programs.

She says, "Despite it all, it is really hard to save money," and I can relate to this. I mean she is living in DC which is a high cost of living area. She says she did get a 10% increase back in June but she's learned recently that someone who is older than her who has a master's degree makes $60,000 a colleague I suppose and she has a bachelors. So she wants to know if she is actually being paid fairly based on this person's profile and salary.

Well, I will say this before we really dig into things here Megan, I feel like that's not a good benchmark to measure yourself up against. You know this person who's got more education, probably a different role, it's neither here nor there. I would say better to find out what other colleagues with your rank and file are earning at the company and this might not be something you're going to learn by asking around. It is not really water fountain conversation.

But once you befriend people and you are out at happy hours or you just becoming friendly and you are confiding in one another, this is where juicy stuff often gets revealed how much people make or how much people should be making but also there are sites like glassdoor.com, Payscale, comparably.com where you can find out what other people in your shoes with your degree with your background are making in your industry in DC so you can really look at apples to apples.

[0:28:56.6]

MG: I agree with you. I think when I read this question, the one thing I was concerned when I read it was for a $14,000 increase, it is not worth to run out and go pay for a master's degree but what struck me was is that Zartisha is 24 years old and I know it doesn't feel this way but when you are 24, the world is your oyster. You can do things because financially you're not restricted. You don't have the kids, you don't have the mortgage.

You don't have the dog and the spouse and all the things that makes changing jobs and seeking new experiences more challenging. So what I would encourage you is at this point in your career is seeing your 20s as a collection of experiences because employers, really you don't have to start to commit firmly down a path until you're 30's and I can tell you as an employer, I love it when I get young people who have done different things and been in different companies.

And really come to you with different experiences. It might not relate to what I am doing but relates to giving them life experience and I think for you Zartisha, 46,000 out of the gate, it is actually a pretty good salary out of the gate but I think you need to understand career path at your current job versus to what Farnoosh just said which is what else is out there, you know? And what you often find is really to have salary increases it might require you to change jobs.

Because the same job that you are in right now might pay $10,000 more at a larger company plus they give education reimbursement for you to get your masters at night to keep up the career path and these are the questions you have to ask. To Farnoosh's point, I agree finding mentors. How did you do this because it is not just about having a master's degree. It is understanding the career path, understanding the opportunities and really just looking and pushing and take risk.

I mean the one regret I have in my own career is I wish I had taken risk earlier and I think as women, we sometimes don't always do that early on whereas guys are much more comfortable in jumping ahead. So go forth do it and here's the one thing I am going to say that I deal with when I have new employees and this might end up burning me in the end, right? But when I put an offer out there, the men always counter and the women always agree.

And there had been times where it's like I want to say, "Come on girl, come on negotiate" say, "Hey, what about $5,000 more?" Because you know what? As an employer when you find someone that's really good for the role, you might be willing to pay more.

[0:31:37.6]

FT: You have to put yourself in the perspective of the employer. I mean they have invested in interviewing you, they have scoped the market, they have identified you as a potential talent, they brought you in, they spend time with you, they have introduced you to their team and now, you are talking about money which at this point, maybe that's meeting two, three and four. You definitely have leverage at this point. You absolutely do.

[0:31:59.1]

MG: Completely and the one thing is also, you know when I look at what her benefits are in this I always find the unlimited paid vacation, it is a little bit of a challenging benefit because you have to use discretion and it is hard because workplace optics. So it sounds like a great benefit out of the gate but it might not be in the end because it is hard to know strategically when you are 24 optically should I be going on vacation.

And these are the more subtle workplace things that I think to your point Farnoosh, you've got to understand and get a mentor to help you understand it.

[0:32:34.3]

FT: Such good information. Let's do one more question here on Instagram from Kristen. She is wondering how to prioritize her savings which is not an unusual question. I think this is a good thing to be wondering about. It comes up quite a bit, people are not really sure whether to first save for their emergency account and then there is so many different ways to save for retirement, which one is better Roth versus 401(k).

So in Kristen's case, she's 25. She's been working for a little over a year and she has set aside about 50% of her income this past year. How she did that? I want to know, Kristen write to me tell me what you're doing. So for her budget, she wants to one, meet her 403(b) match of 5% so that is a total of 10% in the 403(b). She wants to max out her HSA. She wants to max out the Roth IRA and the question is, "After all of this is done should I contribute to a personal investment or put more towards my 403(b)?"

She says she has already accounted for personal savings, things like emergency account, vacation. So she's just looking for other advice and I think if the question here is really about whether to do with the 403(b), more in the 403(b) or to start say a brokerage account, an investment account that is personal, you know the 403(b) will have some tax advantages there.

So the contributions are tax deductible up to a limit but presumably you have some more to take advantage of there even after meeting the match. So maybe do it up to get the tax deduction. The maximum tax deduction. If after that you want to do more, I would say look into opening up an index fund or a variety of index funds, ETFs via an online robo-advisor type of platform. There are so many and I mean I can give you a long laundry list of them.

From Shrubs, Intelligent Portfolio to Ellevest to Betterment to I believe Vanguard has an online platform as well. You have endless options. I think that for me if I were you I would probably stick with the 403(b) until I have maxed it out to get the tax benefit. The fullest tax benefit and then move on to something different like a brokerage account which doesn't have any tax deductions at your disposal but still a good way to put your money to work.

[0:35:07.5]

MG: Yeah, Kristen is a rock star. I mean just keep going because it is amazing what she's doing but I am going to throw something else out there because Kristen – I mean first of all, she's an all-star, I wish I was this good at 25 but she's the beginning of Gen Z and Gen Z women have an interesting fact about them. They are actually buying houses as fast as at the same rate as their male counterparts which they're the first generation to do that.

This Gen Z women, they're amazing and so the one question I think Kristen should think about is when does she want to buy a house because I can tell you that real estate is something that ultimately everyone should look at and consider as a place to put their money. I have been very fortunate with real estate in my own personal portfolio, I watch my clients and the people who get into real estate earlier ends up propelling themselves quicker.

So when I read this question, I went back and forth and I love the idea of funding the 403(b) more. I love the compounding but I also love the idea of Kristen buying a house early on. So I was sort of taking another hybrid approach which is I would increase some of my 403(b) savings beyond the match but I would start to develop a taxable account because I would want to be able to put a pretty decent size down payment down if I buy a house if I am in her shoes.

I think also one of the things that people need to think about is as you are getting all the news, one thing that is catching my eye is that different markets are softening and I am going to my clients. So my clients are wealthy and I am saying, “Okay get ready. We are going to start buying because it is going to revaluations,” or a nicer entry point to buy a house. So Gen Z women who are like Kristen, you know I would split the baby.

I’d add a little more to my 403(b) and then I would start to build out an account that’s my house fund because you are going to have that moment and I think you got to pounce when that moment happens in the real estate market, you know?

[0:37:15.6]

FT: I think you are right about the market especially this year. We are talking a lot about the market becoming a buyer’s market in 2019. We’ve already started to see that in New York City. I think I read something where the average apartment in New York City for the first time for a long time fell below a $1 million which I know is like so foreign to most people of like, “Come on New York get it together. Stop complaining.” But it is an indicator of the softening that we’re seeing in the sellers’ market.

Interesting fact, Ryan Serhant who is a guest of this show who is one of the stars of the Million Dollar Listing New York show on Bravo, he told me that he has never seen such a soft market in New York and he started his career in real estate on the day that Lehman Brothers collapsed. So he has seen some pretty bad times but he thinks that currently it is the worst market for selling because he says that consumer confidence to buy is at such a low point.

That it is created a lot of excess inventory, houses are staying on the market for a lot longer, people are on the sidelines. It is taking them more time to be convinced to buy. So if you are the market to buy and you do find something that you like, know that you do have some good negotiating power.

[0:38:28.8]

MG: Oh New York, it is time to buy in New York. It is getting softer over there, it is interesting right and Farnoosh, you're in New York City. You've got people paying 13% state and city tax there. I'm in California, the top bracket here is 13%. The people who often buy are getting slammed on the income tax front and that is one of the biggest misconceptions of the new Trump tax law is that there's a tax cut.

For a lot of people in states like California, New York, Maryland, New Jersey, New Jersey is just getting beaten up by this. So while high earners on those states are suffering. If I am 25 years old, if I am just starting out, I am sitting there on the sidelines waiting because this is good news for them.

[0:39:12.3]

FT: And just to put it out there, not to sound like we are all about buying real estate on this show. I mean I've had good experience with it, you Megan have had good experience with it. You give valid reasons why if you are interested in buying now is a good time to strike but just because you can do something doesn't mean you should. I am a big proponent of home purchasing but I believe that if you are someone who wants a transient life style.

You travel a lot, you are not interested in maintaining a home for whatever reason, there are a lot of reasons to rent, a lot of good reasons to stay on the sidelines and so I just want to give that disclaimer.

[0:39:50.2]

MG: Yeah and I think you have to go through understanding where are you in your life, right? Because also at 25, it might not be the right time to buy something permanent. You know running the numbers and thinking through it is really important and to your point I think when someone has had a positive experience in real estate, it colors how they view it on a go forward basis just as much as someone who has had a negative experience out of the gate.

But I think you bring up a good point that this is not – it is always finding the right moment for you financially and personally.

[0:40:24.7]

FT: Megan Gorman, thank you so much for joining us. This has been fantastic, please come back and before we go, I have to remind everybody listening where they can find you. That's Checkers Financial Management. You are Forbes contributor, your blog is called The Wealth Intersection and you're on Twitter @wealthintersect. Thank you again, Happy New Year to you and really, I sincerely mean it, I would love to have you back.

[0:40:50.4]

MG: Thank you so much Farnoosh. Happy New Year and happy anniversary.

[END]