EPISODE 851

[ASK FARNOOSH]

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FT: Happy Friday, everybody. It's Farnoosh. Welcome back to So Money. This is Friday, February 22nd. I'm so low today. I don't know. Maybe I just had too much fun on my birthday, which rolled into the weekend, which then rolled into the weekend. I just did not schedule to connect with a listener to record Ask Farnoosh, which is totally fine. I think once in a while, I'm allowed to go solo, right?

It's always nice to connect with a listener or a guest who wants to come back and join me for Ask Farnoosh. Sometimes, the intimacy of just me and the mic and you is pretty nice. I did mention my birthday, it was a lovely, I guess full weekend of relaxation. My birthday is February 15th, which was Friday, which is a working day, as you know, I'm deep in the weeds of throwing this huge pop-up in Los Angeles, April 2nd through the 30th, called Stacks House. This is a pop-up with a purpose.

If you have ever been to Museum of Ice Cream, or 29 rooms, Color Factory, we're following in the footsteps of some of these massive large installation, large-scale events, ticketed events, but we're theming it around women and money. Anyway, that is only weeks away and clearly had to make my birthday a workday.

I'm lucky that I get to work with some pretty amazing people on a pretty incredible cause, so it really didn't feel like a downer. My team surprised me with a cake. That night we went to dinner with my husband and my brother and my kids were pretty well-behaved over the weekend, so all in all, A plus.

Fast-forward to right now, I'm actually in Baltimore guys. I took a quick trip here to help out a friend who runs an investment advisory. He's actually been on this podcast. His name is Frank Curzio. He has a podcast himself called Wall Street Unplugged. He has a really popular newsletter, where he shares a lot of his investment tips. Frank is one of the best, I think in the industry, as far as being able to see the future, being able to see trends.

I'm not really a stock picker. I'm not somebody who watches the market religiously, but I have friends who do. Frank is singular in his talents. His father was also in the biz and that's how Frank learned how to be a really astute stock picker. He travels. He visits these companies. He talks to their founders. He spends a lot of time before making recommendations.

Anyhow, he invites me once in a while to Baltimore to meet him and his team to film some videos for their newsletter, because I got some skills, I got some hosting skills, I got some prompter reading skills and it's always nice to also connect with old friends. I'm here in Baltimore just for the day. I hear there's going to be a snowstorm, so I'm hoping I'll get out before then and then back in New York tonight.

Just some updates for you as well; first obviously, Stacks House. If you're not following us there, go to stackshouse.com. Tickets will be available on March 5th. Then you can go to Instagram @StacksHouse and get some financial inspiration. I think our Instagram is pretty fun. I also answer questions on Mondays and our stories at Stacks House. If you've got money questions, it's another way to connect with me on top of going to my handle on Instagram @FarnooshTorabi, which is where a lot of today's questions come from.

One last thing I wanted to share with you; I'll be mentioning it again as we get closer to the date is I'm going to be a workshop leader at In Goop Health in New York City, March 9th. In Goop Health is the very popular health summit that Goop, as you all know, Goop is Gwyneth Paltrow's wellness – I don't even know what to – really how to describe it. It's so many things. Well, it's a media company, but really it's becoming more and more of a go-to destination for all sorts of wellness advice, wellness resources. They throw this incredible weekend of relaxation in New York.
It's happening March 9th this year. I'm going to be running a workshop on what do you think? Money. It's really nice to be folded into something like this, because I think that money when you take care of your money and you're at ease with your money, I think that goes a very long way in your overall wellness, right? I will be there and I believe tickets are still on sale at goop.com/ingoophealth.

All right, so speaking of Instagram, that's where almost all of our questions today come from, probably all of them. I'm a little behind on the Instagram, because so many people are now asking. I guess I've been sharing it way too much, but here we are. Lots of people coming to the Instagram. If you haven't heard from you yet and it's been a couple of weeks, it's because I am just trying to get through all of the questions.

Here's a tip, if your question is extremely long, like I would say more than 200 words, it's going to be hard for me to get back to you. Just keep that in mind, brevity wins. I know sometimes you have to give details, so I get it. You got to balance it.

Our first question today comes from Heidi and she says, “I want you to know that I love your podcast and I've been obsessively listening for about a year now.” Well, that is a really nice thing to hear. Thank you for joining us. Her question is this, ready? “My husband and I bought a home about six months ago. However, we owned another property that he inherited from a deceased family member. That house is 30-years-old and needs work, including a new roof.”

“We're currently leasing it for a very little amount, about $500 a month, and saving that money to do repairs. We're thinking in the next six to eight months, we'll have enough money to complete the repairs. At that point, we have to make a decision, do we sell the property or do we continue renting it? If we sold it, we could use a good chunk of the money to pay down the principal on our home, our primary home that we're living in, enough to take off the mortgage insurance, which would be awesome. If we rented it, we could raise the rent and bring in an additional $900 to a $1,000 a month in income, which would also have its perks. What do you think we should do?” This question comes from Heidi.

Heidi, I think this question comes down to a couple things; one is the math, which you have started to do, great. Secondly, it's about what you want to do with your life, because being a homeowner and being a landlord to some extent, there are a lot of responsibilities that you can outsource. You can have a management company take care of the day-to-day repairs, things like that, but it is something that you have to be managing to some extent and do you want that in your life?

First, let's talk about the math, which you have done a little bit. You have estimated that selling this home, the second home could help to pay down your mortgage and then also take off that mortgage insurance. What is that savings, right? What is that savings for the insurance, plus what is the savings of not having to pay taxes for this second home, not having to pay the maintenance for this home potentially, if there's – you said you're doing the repairs now, but down the road there could be more things that come up. This second home is not going to be an automatic $1,000 a month in income. You have to deduct from that all of the carrying cost, which I don't know if you did, but that is part of that math.

Then once you get to that number, you have to weigh that against just the overall totality of being a landlord and what that would mean for your lifestyle, your time, your stress, all of that. It sounds like either way you go, there's going to be some money to be made. It's a win-win situation and this really comes down to which path is going to reward you with the most money savings. Then ultimately, what would you be happiest doing, and I think that's your answer.

Okay, now speaking of real estate, Alexis is 22-years-old, has a question for me on Instagram regarding how do I get into the game of investing in real estate? I just bought my first home with my boyfriend, but I want to start investing in other homes so I can flip them. My only other debt is my car and about $3,000 in credit card debt. Can I take my savings of a couple thousand and turn it into tens of thousands of dollars via real estate?

I also want to add, this is Alexis, that I don't have a ton of money, but that's why I'm thinking about it now. I am only 22 and I've had my head above water. By the time I'm 30 with kids, I don't want to feel I wasted my 20s and feeling regret that I didn't start thinking about this sooner.

All right Alexis, wow. What would I tell my 22-year-old self? You're way ahead of the mindset game, I'd say. I wasn't thinking about this stuff when I was 22, so kudos to you for really having a plan and wanting to optimize your 20s. I think that's really admirable. I would just say that there's a lot of hype in the real estate investing game as you described it. I would shift the mindset away from thinking of this as a game.

Real estate, if you're looking at it as an investor, it's an investment strategy. What a strategy require? It requires knowing the rules, a lot of research, talking to other people who have been there done that. It's not like throwing darts. It's not gambling. There are risks of course with any investment and real estate. It's a big toll, because it's a lot of money upfront to get into this strategy, real estate investing strategy.

I think that what I would do – you have so much interest, you have so much enthusiasm. It's just really go deep into learning as much as you can about real estate. Targeting an area, like maybe it's where you live, perhaps it's other cities, but you really need to have an understanding of the market, that's number one, yeah? What does it cost to buy a home here, a second home and a rental home? What is the rent? Is rent stable here? Or renters, is the renter life stable here, right? That means am I going to have consistent positive cash flow?

You should talk to as many people as you can who have had experience. That's the best way to learn. They will tell you their mistakes. They will tell you what not to do. I will add another thing; I've had some guests on this show that are these "real estate" experts, certainly have so much experience in real estate, I mean, Barbara Corcoran has been on this show, some of the Million Dollar Listing guys from the Bravo hit show. Just this week, we had Casanova Brooks who is a real estate agent and he sold over 40 units in his first year as a real estate agent.

I've also had on these two women who are the founders of Goodegg Investment. Goodegg Investment might be something to look into down the road. I don't think you're ready yet, because it does require substantial capital. A couple thousand dollars is not going to cut it. Frankly at your age, the most important thing is to have savings. Don't cash out your savings for something that's risky like real estate that you don't have a ton of experience in. Goodegginvestments.com, this is a site of basically a company, these two women founders, these two moms founders who have a lot of experience in real estate investing, have created a fund where people can invest in the fund and that fund essentially invests in real estate projects; multi-family homes, single-family homes all across the country.

It's a way to ride the real estate market as an investor without putting all your eggs in one basket. I guess, that's where the name comes, Goodegg Investment. It spreads your diversity, spreads your allocation. My point is that there are opportunities like that too to get into the real estate market without all the elbow grease, right, of doing all the work of trying to find a place and maybe doing the repairs and getting it up to market and renting it and all of that. That if you should just want to take advantage of what you see to be the appreciation of real estate in the market, that's some way to do it.

Really at this stage, it’s about research, it's about getting comfortable and living your life. I mean, you have years until you're 30 and I'm someone who's almost 40. I'll tell you that you're going to get to 30 and you're still going to feel like you're in your 20s. I mean, 30 is no longer I don't think the end-all. I mean, you have so much life ahead of you. We're living longer. Don't overwhelm yourself, don't stress yourself that you have to be a certain – you have to have a certain life by the time you're 30. Just do you. Do you and keep listening to So Money.

Thank you for your enthusiasm, for the question. It's really smart. I'm really excited to hear that you have these ambitions, as I'm a big real estate nerd too. I applaud you Alexis and thank you so much. Have a great weekend.

Lisa says that she – well, she has two questions. She discovered the podcast and she's been loving it. Thank you, Lisa. This is a two-parter question, she says. First is I started a new job about six months ago and prior to that, none of my jobs offered any retirement savings. I started a Roth IRA. At my current job, I have a 401(k) and a 6% match. I'm contributing enough to get the full match. Now that I have a 401(k), do I still need to be contributing to my Roth, or should I just let it sit? I'm going to tackle this first for you Lisa.

I would say firstly, congrats on this job with this 401(k) match. This is really outstanding. This is the best in class. I have not heard anything better than this, like about a 6% match. That's pretty generous as far as matches go, so good job taking advantage of that. That's always the advice guys. If you've got a 401(k) match at your work, take advantage of it. If you're not sure how much to invest, invest as much as you can to earn the max match, okay? Because it's free money, so her company is giving her a 6% match. She's doing 6% herself, so then effectively she's getting 12% of her income tucked away into this 401(k). In reality, she's only investing 6% of her own money. The other 6% comes from her company. That's really great. Basically like a free raise that's invested in the market.

Okay, so meanwhile she's had this Roth IRA to cover her gaps as she's been transitioning jobs. I would say Lisa, that if you can still invest in the Roth IRA and you have – you get your tax refund, it's a few thousand bucks and you don't have debt and you do have savings, I would put it towards the Roth IRA, only because with the Roth IRA, it has a different tax benefit than a 401(k) in retirement.

You can withdraw your earnings in retirement from the Roth IRA tax-free. You don't get the tax advantage today when you make those contributions. You don't get any deductions on your taxable income with the Roth IRA, but then in the future when you don't know where tax law is headed, we don't know where our tax bracket will be, we can at least take advantage of a tax-free withdrawal down the road. Your 401(k) will be taxed at withdrawal when you withdraw it in retirement. People like to have a Roth IRA for tax diversity.

Also a Roth IRA is handy, because as we know, your contributions, not the earnings but the contributions can be taken out of the Roth IRA at any time without penalty. If you did find yourself in a pickle and you needed some money because for whatever reason you didn't have enough in savings, the Roth IRA could be an option to tap. There's some flexibility with the Roth IRA that isn't necessarily the case with the 401(k). Yes, you can take a loan out against our 401(k). I don't advise it. People again, the Roth IRA for the tax benefits and this flexibility in being able to take out your contributions in a jam. If you have a few extra $1,000 and you can contribute up to $5,500 this year in a Roth IRA or traditional IRA, I would do it.

All right, you're not done yet though. You had a second question. She says, “I have a savings account with about $35,000 in it.” Lisa says she's 29, single, living in New York. “I have no debt.” Oh, okay. That's answered my first question. Her parents paid for her undergrad and she had a job that paid for grad school. She has no credit card debt. Here's the question, “I feel like I should be doing something with that money instead of letting it sit, but I'm not sure what. Living in New York, buying real estate anytime soon seems unattainable. I've looked into CDs, but the rates don't even seem like it's worth it to bother and I know nothing about the stock market. Any ideas?”

Okay, so let's recap here, Lisa. You've got the 401(k) which you're doing great with. That's 12% of your income, but really just 6% of your real money, the other 6% coming from your job employer. You have a Roth IRA. You have no debt, no student loans, no credit card debt. You are single, you live in New York, you have $35,000 in savings. Here's my first question, how far will that $35,000 take you if you lost your job tomorrow? Is it two months? Is it six months? Is it a year?

If it's less than six months, I wouldn't do anything with it. I would leave that money sitting, because you need that money in case of an emergency. That is effectively your rainy day account. If you do the numbers and you're like, “You know what? I cut back. I lose my job. I cut back. I obviously I'm not going to take Ubers anymore. I'm not going to – maybe I'll move. That could cover me for nine months, maybe a year.” I would say that you have a lot in your rainy day account. Yeah, you could take a portion of it and put it in something a little bit more aggressive. Not in the stock market again, because this is meant to be money for you in the short-term.

I would say maybe even yeah, a CD. I know the CD rates aren't much to write home about, but they are better than they have been because interest rates are going up in general. The one silver lining is that savings rates tend to go up as well. Savings rates, high-yield online accounts CDs, if you don't need some of this money for the next two years, you'll find some really good rates online that are like a 2% or more depending on how much you put in the CD. I would look at that, but I would not put this in the market.

You're saying you can't buy a house today, but maybe you can in five years as you can continue to contribute to this stash, this 35k. I would just stay the course. Maybe if you know you don't need all of this in case of an emergency, take a fraction of it, put it in something a little bit more aggressive carrying a little bit more of a yield, like a two-year CD, a 12-month CD, something like that. Okay, good luck to you and thanks for listening Lisa.

All right, our next question is from Dina who says, “I want to thank you Farnoosh. I've been following So Money since I started tackling my $30,000 student debt two years ago. I'm debt-free now. I have a solid six-month emergency fund, contributing 15% to the 401(k) and recently opened a Roth.” Whoo. Well, my job's done Dina. I guess this is my last episode. I am changing lives. This is incredible, Dina. Thank you for sharing this.

You know what? I had $30,000 in student loan debt. Been there sister. Yeah, there is light at the end of the tunnel. Good for you. I'm so glad this podcast has been a mobilizer for you. I'm sure that you have also been doing all the good work of behavior setting and habit setting and keeping it real, just keeping your eye on the ball. I know it's a lot of work to do all of those things, but you just put it on your to-do list.

She says, “As a fellow breadwinner, I've learned so much from your own experience and that's helped me to become more secure and proud about my bread-winning capabilities.” Heck, yeah. High five. All right, so now my question. Dina says, “I recently found out that we are pregnant.” Whoo. Congratulations. “Wondering if you have any resources or advice for developing a financial plan for baby prep and beyond?” She says, “My job allows 12 weeks unpaid leave.” I wish it was paid. “Beyond saving at least three months’ pay, I'm a little confused about how to budget, since I know we will be buying stuff during pregnancy as well. I feel lucky that we are no longer in debt, but the cost of a child is a little overwhelming, if I'm being completely honest. Appreciate your thoughts and time.”

Well, first congratulations. Not excited that your employer does not pay for a leave of absence. That's just like, get what the program company X. It's 2019, okay? Let's take care of our employees, please. You've done some good work already. You've saved. You've got at least three months’ pay saved, which is fantastic. You don't have debt, which is the biggest thing that you can do to prepare for an event like becoming a parent.

I just had a guest on the show who is the founder of My Fab Finance, Tonya Rapley. That's going to be airing soon. We talked about this. She actually has a book, which you might want to check out about parenting. I'm not sure if it's out yet, but it's coming out soon, so check out myfabfinance.com.

Okay, Tonya has a book just about this, because she just had a kid. It's been about three months since she's become a mom and she's learned a lot. I asked her, what's your number one tip for expecting mothers and parents? She said, “Get rid of the debt.” Because here's the thing, you're talking about cost of raising a kid, it's a little overwhelming. You're absolutely right. There are so many expenses that we don't even know about. For example, she said to me Tonya, when her son was born they wanted to get him circumcised. Didn't realize that their insurance didn't cover that, because they deemed that an optional procedure, or a cosmetic procedure. That was hundreds and hundreds of dollars.

When her baby came home from the hospital, they quickly decided that you know what? Putting him in his nursery is not going to be – is not going to work for us overnight. We need to put him in our bedroom. That was her decision with her husband. Not every family wants to do that, but they wanted to do that. It was important to them.

They had to reconfigure their bedroom. She's like, “I had this baby and I'm online ordering all this new furniture that I wasn't expecting.” There were all these costs that she didn't anticipate, which you having your three-month savings, it will be certainly helpful to have that. I would say, from now until you have this baby, save as much as you can.

Here's a challenge, okay? This you could do for a week, you could do for a month, you could do it for as long as you can. Pretend between now and the baby coming, you and your spouse only have one income. Maybe it's his, maybe it's yours, yours perhaps because you're the breadwinner. Just your income is what you're going to try to live off of. His income is completely going into the savings bucket. Try it. Try it.

I'm not saying that this is going to work, or that it's sustainable, but you think that every relationship, this is a fun, crazy challenge to try. Let's for the next week, or for the next paycheck cycle pretend that your income doesn't exist. We put your paycheck entirely into savings. This is what my friends have done, some of my really conservative, financially conservative friends have done when they've been preparing for a kid, preparing for a big home purchase, preparing to leave a job and don't have another one lined up. Just some crazy advice from your friend Farnoosh. Congratulations to you really. This is super exciting and I'm really honored that you are with us in this community and the So Money nation and that you have done so well for yourself. Kudos.

Our last question is an anonymous question from a follower on Instagram. She said, “Hey, Farnoosh. I loved hearing you on the Goop Podcast today.” By the way, I was on the Goop Podcast. Check it out. She says, “I must ask, you discussed how the card of opting out should never be on the table. However, I would love to know your thoughts on when opting out is sometimes the only option.”

"As a woman that was working as a hedge fund recruiter back in 2007-2008, I found myself laid off while recuperating from my third miscarriage. At the time, my husband and I were gearing up to start our first round of IVF with a new fertility specialist. It didn't make sense to start a job. As it turns out, I went on to have three more miscarriages and each pregnancy was even more delicate. It was impossible for me to interview and start a new position during that time. I now a four-year-old, but I'm still home. What are your thoughts for someone in my position who will want to work again someday? I never imagined myself someone home full-time, but here I am. Many thanks."

Wow. This is first of all, I feel really honored that you shared this with me. I have experienced myself a miscarriage, not to the extent that you have that I cannot imagine the emotional toll, the physical toll. Naturally, you took time off work between the financial crisis and this happening in your life personally. I think this is why it's important to have savings, or it's important to have a back-up plan, right? That when you are just – when life is just too much, you need to have the freedom, the allowance to say, "Enough. I'm out. I don't know what my plan is, but I need this time."

I'm really happy to hear that you were able to do this for yourself and for your family. I know I went on the Goop Podcast and I say this often that I don't – I'm not one that believes in opting out as a lifelong goal, right? I love my career. More than that, I want women to have financial independence, period. You can't really have that without working. Maybe you came into the world with a huge inheritance. Maybe you got divorced and got a big settlement, but get the money is my point. Get the money, and so then you can make the choices that you want on your terms.

You can leave bad situations. You can start your own opportunities. You don't have to wait for them to show up. That is really what drives me to say things like that. That can come across as very binary like, "Oh, my gosh. Farnoosh is telling us that every woman needs to work, or every woman who opts out is a disappointment or is not living up to her potential." No, that's not what I'm saying. I think sometimes you have to say extreme things to get people to really think about the implications of our choices. It starts to be and that's really ultimately what we want is conversation.

Back to you and your question, I think that there are a lot of opportunities for women who have left the workforce who want to opt back in. There's a website actually called Apres, A-P-R-E-S. It was started by moms who wanted to create basically their version of LinkedIn for the parents who left the workforce, who want to reacclimate into the workforce. It's a website that offers resources and guidance, but also connects you with the employers that are actually specifically looking for moms, because get this, moms get stuff done, right?

I wrote articles about this recently, just how becoming a mother has made me richer, because it's made me super focused on my work, so that I can be hyper-focused on home life when I'm home. I can compartmentalize and I really create boundaries, which then allows me to be more successful. I think there is hope for you for sure. Part of it is just figuring out first where do you want to go. If you need some training too, should you take some courses online? Udemy has a ton of courses. I think LinkedIn, Coursera has a ton of online courses, just to maybe brush up on some skills, some new learnings as you've been out of the workforce. There could be opportunities for you to just brush up on some skill sets.

Then talking to people, right? Who are in the industry that you want to go back into, or that you want to arrive in, and ask about what are the opportunities. What advice do they have for you? Your network is going to be super important. For anyone looking for a job these days, whether you've been out of work, or you're transitioning from one job to the next, it really just comes down to who you know. It's what you know for sure. You can't not get the job without qualifications, but how you get to the top of the pile, how you get the interview, how you get the job is through referrals, network, etc.

Get to know those people, that's what I would say. Spend time maybe once a week going out for coffee, start e-mailing, start getting on LinkedIn. I have a lot of more advice for you, but I think this could probably get you started and feeling like you can do it. That's the bottom line. I want you to feel like you can do this. This is not rocket science. Lots of people opt out, go back into the workforce, but there are just some – there are some gaps you have to fill. Maybe it's a skill gap, maybe it's a network gap.

I think also having gone through the financial crisis is an asset, because you are somebody who is in the thick of things and saw a lot of things that people don't want to replicate. You had that experience. You can use that as your in some ways a selling point. I experienced this. I came out on the other side of it. Here's how I would impact change at this new company. All right, good luck to you and thank you for the question.

That is a wrap ladies and gentlemen. Thank you so much for the questions everybody on Instagram. You can follow me there @FarnooshTorabi. I look forward to next week. Next Friday hopefully we'll have a co-host. If you want to co-host with me, you know what to do. Go to somoneypodcast.com and click on Ask Farnoosh and send me a note there that you want to co-host.

Thanks for tuning in everybody. I hope your weekend is so money.

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