EPISODE 875

[ASK FARNOOSH]

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FT: Welcome to So Money everybody, live from Los Angeles. I'm your host Farnoosh Torabi. I'm on the West Coast this week as you know, as you may not know, it's the launch of Stacks House. We open doors on Wednesday and just having a lot of fun, seeing everybody come through, it's a dream come true, the cofounders and I just kind of looking at each other and occasionally just go, "It's happening."

This is really happening. We couldn't be more excited, we couldn't be more nervous in some ways. This is our baby that we have birthed and of course we have a plan next steps, where we're going to go, you know, in the next several markets, we want to hear from you so if you've been visiting Stacks House or if you plan to go to Stacks House, it's really important that you share your feedback with us.

By the way, if you're not following us on Instagram, would really love for you to follow us @stackshouse because up until now, I haven't really shared money of the photographs of the build but we now have interior photos and you can see what it's all about, for real.

You know, we've got this mechanical piggy bank that is in a retirement rodeo room, it's a room dedicated to learning about retirement investing and having some fun and riding this mechanical piggy bank to kind of understand how the market fluctuates and the unpredictability of stocks and why it's important to hold on.

You know, we are going out of the box with stacks house but we hope that people walk away with some learning, feeling empowered, feeling like they just had a really great time and that they'll hang out with us in the coming months and years as we build the parent company She Stacks. Grab your tickets at stackshouse.com/tickets and you can use the code somoneystacksla for 20% off, somoneystacksla.

All right, it's Ask Farnoosh Friday, going over to the Instagram now to check out your money questions, it's a great way to reach me if you're just joining the podcast for the first time, you're not familiar with how Ask Farnoosh works, the great way to reach me nowadays is Instagram, to direct message me there, your question, gentle note, for everybody who has been writing questions and they've all been great questions.

It's hard sometimes to pick what's going to make it in the current week but I will say that the ones that are a little bit more concise that don't throw like a hundred different numbers at me. You know, much easier for me to then recite on the show because you know, I know you're listening and you're not like, totally engulfed, right?

You're not maybe listening completely or doing this along with something else like driving or walking your dog or exercising or doing work. For me to just kind of like recite some of these questions that have specific numbers and you know, really specific details. I think it can get a little difficult for people to follow along.

As a bit of advice, when you're asking your questions, I know that it's hard not to get specific but try to just kind of get to the question as soon as possible and just again, I really appreciate everybody writing in. Another way to reach me is to go on to the so money podcast website. Click on ask Farnoosh and you can there, type in your question or leave me a voice mail which we have been using on the show quite frequently.

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All right, this question comes from Rosie and it's about helping her parents out who you know, are aging and are needing some financial support but not the kind that you know, you're paying them money or giving them money but more like you know, making sure that they're setup, also, as our parents age as the now adult children. We want to make sure that we're kind of in the know because if something, God forbid, happened to our parents, we could then step in relatively seamlessly and pick up their – where they left of financially.

Her question is that she wants to learn how to better organize her parent's finances. She's nervous about offering them advice, particularly around like consolidating their IRA's and their annuities and their cash accounts. She thinks it's the right way to go but her mother is a little old school and wants to go to the bank to withdraw money and get paper statements and write checks to pay bills, she says. Most of the advice that her mom has been getting is from this investment person at the local bank whom Rosie does not think is a fiduciary. Somebody who works in 100% best interest of the client.

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She says, "My parents are retired and I don't want to do anything that would adversely affect their finances, can you offer any advice for moving forward?" Clearly, you're a thoughtful caring daughter, Rosie. I just want to say, thank you on behalf of your family for taking this initiative. It's something that I think can often be tenuous, I think parents, no matter how old their children get, always kind of see you as their children and in that way, always see you as their children and by way of that, kind of don't want to talk about their money with you.

You know, my parents always talked about their money with me for better or worse so I think that when they started to get a little bit older, and I will naturally have this desire to kind of have more awareness around how much do you have in the bank and what's left on your mortgage? That they will probably share that with me. I hope they will.

But it's a difficult conversation, it's a difficult ice breaking conversation, you know? I assume you've had some conversations with your parents already about this but if you haven't, you know, I think that you want to address this in such a way where you're coming at it not as if you want to take control of their money or you have to necessarily do things this way but really, that you want to be helpful that you want to be in the know.

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Not because you want to necessarily point out errors or criticize but that you know, be completely honest to, say you know, "As you guys are getting older, I want to make sure that I can support you as best as I can when it comes to streamlining, organizing your finances to make your lives easier," right?

You want to make their lives easier. I think that's a noble cause and to the extent that they're comfortable sharing information with you, you'd love to participate, you'd love to help them. You know, maybe you could start by just asking, you know, what is the number one financial concern that you have that's keeping you up at night and how can I help?

Or, if God forbid, something happened to mom or dad, you know, have you thought about that and what's the plan, who is going to manage the money? Is there anything that I can do? See what they say, you know, I think coming to them with this sort of intention to help, more than anything, no one can poke holes in that. That's a very generous and genuine thing and I would just say, lead with that and see what they want.

Ultimately, they got to do what they want to do. Certainly there is a right and a wrong when it comes to working with the right people versus the wrong people. Now, in this case, this person that you think is not a fiduciary. I think that needs to be addressed. I think you want to look into his or her background if they're not a certified financial planner, that's problematic potentially. If they're selling products to your parents that they're getting on the other end of it, a cut that's you know, worth investigating and it's worth a conversation.

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I think explaining to your parents just simply, you know, if you're working with this person, just bear in mind that they're making money off of their recommendations and that's something that we need to explore because it's really important that you're in the best possible investments and that you're doing the best possible things with your money. At the most reasonable prices.

Definitely look into this person and at the same time, maybe talk to other family members. If you have siblings, can they come into the conversation and maybe offer some advice or leadership in this with you, kind of co-lead this with you so you don't feel so much like you're taking on this burden but again, I really commend you for having this desire and this concern for your parents.

I think it's a delicate situation and you're handling it great. I think you're asking the right questions and I hope that your parents increasingly open up to you because it sounds like you really have their best interest in mind. Good luck, Rosie and thank you for listening to the show.

All right, my next question comes from a fellow Penn Stater so I have to obviously pick it but it's a really good question. The question, well, she's anonymous, I'm not going to say who it is and I hope I didn't give her away by saying she was a Penn State grad but there are a lot of us so I don't think I'm revealing her in any way, shape or form.

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She says, "I've been bingeing your podcast all week. Thank you. I'm in the midst of a financial awakening, I graduated undergrad in law school with $180,000 in student loans and the loans now are down to about 120,000. After 10 years of repayment, a big chunk of that has a 7% interest rate, another portion has 4% interest rate."

She has no credit card debt, she has a mortgage of $1,300 a month and a salary of about $100,000 a year. She does max out her Roth, she's consistently paid into her 401(k), she has $40,000 in savings. The question now is, "How much of that do you think is sufficient for an emergency fund and what would you do with that remainder of that $40,000? Invest, tackle the student loans, thank you so much."

All right, when we talk about savings and what is enough, I'm using air quotes as far as rainy day savings. You know, we like to say, by we, I mean, me and the collective financial expert community that six to nine months of your living expenses tucked away somewhere in a liquid fund is healthy, is a healthy amount to have saved.

Not your income, six to nine months — but your living expenses. Adding up, you know, your total cost of living, times six or times nine is a good amount to have in a savings account for a rainy day because if you lose your job, it may take you several months to land the next gig and in the meantime, we want yo to be sure that you have enough money to keep the lights on.

That $40,000 is enough and if you're making $100,000 a year, it sounds like maybe that could be enough, I'm not sure. After taxes, you know that sounds to be about a good portion of your salary. Again, this is not based on salary so much but your living expenses, it I think that sounds right but again, do the math and figure out what your living costs are and multiplied by six to nine and that's really what the target should be.

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If you find that $40,000 is more than enough for your rainy day account, you have some extra that you want to work with, then I think that the loan with the 7% interest rate is your highest form of debt right now, your highest percentage interest debt.

That might be where your money will be best utilized. You know, with your retirement, it sounds like you're doing great as far as maxing out the Roth, you've consistently payed into the 401(k). There, I would also run some numbers and just make sure that you're on track to hit the amount that you would want to have in your retirement, there are calculators online at choosetosave.org, at schwab.com, lots of different sites have calculators.

Might be worth that exercise of just seeing, you know, what you think you may need in retirement and what you're saving now is going to get you there. If you feel like there's a short fall, then perhaps that's where you put some of that overage or that extra from the $40,000 pile. But, I would love to see some of these student loans get knocked down as well, it's starting with the 7% interest loan. I think that is a priority. Okay? Go State, thanks for your question.

[0:12:50.1]

All right a question here from festivities3, I don't know if it is a question or – yeah it is a question. He says, "Hey Farnoosh, I just wanted to thank you for all the knowledge I've gained since listening in December. My wife was able to renegotiate her raise from 2% to over 14%." Holy crap.

"And I was able to bump my credit score up and now refinance my student loans from 6.8% interest to 4%. Best of luck with your pop up, have you ever thought of coming to Pittsburg with the popup? We have a ton of young female medical professional making great money that could probably use some advice."

Truly thankful for this recommendation. I think this is exactly the sort of feedback we need. We need to know where are the cities that would invite something like a stacks house, a financial pop up. I would argue that is a lot of cities. It is most cities, Pittsburg is a great city.

We haven't put it on the list but there is no reason why we can't add it to the list to consider Pittsburg. I know also there is a lot of college students that are in Pittsburg. You got a huge university community. You got Carnegie Mellon, Pitt and of course, as a fellow Pennsylvanian I have allegiance with Pennsylvania so it would be near and dear to me to go to Pittsburg. A lot of my friends live in Pittsburg.

We are also looking for cities that really showcase diversity. So people that are from all socioeconomic backgrounds who could benefit from a financial popup or an experience that talks about money and empowers people around money. Again I think that could be literally any city but really happy to hear that there is interest in Pittsburg and thank you for your shout out and amazing news regarding your credit score and your wife's salary. Keep up the great work

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Okay, Roger has got a question here about credit repair services, "Are they real?" He asks, "And if so, what is the criteria for choosing a company to help you repair old mistakes on your credit?" I don't really have any strong opinions about the best credit repair services. If anything I would say proceed with caution. There are a lot of companies out there that are unfortunately are not great.

I think they charge a lot of money for promising things that they don't really deliver on. And to be honest, there is not really a quick fix when it comes to your credit. Good credit really comes down to managing your credit well over time. Paying your bills on time, knocking down your debt and making sure you are not opening up several credit cards within a short period of time. Credit repair services exists and I am sure there are fine ones out there. So you want to really do your research.

And I would just start by just doing a good old fashion Google search, you know typing in the name of your credit repair service company, typing in the word scam or just reviews and seeing what comes up. At this point, at this level of transparency with the internet and everything, there is a lot of feedback online that we should really take into consideration and if you do see that there is a credit repair service that has all five star reviews that is suspicious as well.

There is not even a single four or three star review or adversely if there is a company that's all negative could that be unfairly being bashed? I don't know so it's just something that you really need to look into and proceed with caution but I will just say that the National Foundation for Credit Counseling is a non-profit organization. They run all over the country, they have clinics in many major cities.

You can go in, the first meeting is free and they do a budget analysis and a financial profile analysis and through that discover, okay, are you somebody who would benefit from say a debt management program. They can give you some credit repair advice, they may be able to give you some credit repair advice but it is a non-profit. I trust them implicitly. They are in a lot of locations so at the minimum I think you should check them out.

They may not be the complete solve but I think it is worth a visit and in the meantime just be really careful about giving your information to any of these companies that often market pretty aggressively online. So if they are asking your for your bank account information, your social security number, those are all really big red flags if that is the first time they are asking you. So just be cautious because this industry does get a bad rep for a reason.

That is not to say that they are all bad apples but it has happened consistently enough that it is unfortunate that I am sure if there are some really positive credit repairing agencies, they are just – the industry has gotten a bad rep and so for all those reasons I would just say be careful.

All right Roger, good luck to you.

[0:17:39.1]

All right a question here from budgetaction who says, "I'd like to learn more about the upcoming LA event with Steve Harvey." All right, well this is cool. I am actually headed to LA later in May for the Vault Conference with Steve Harvey. So Steve Harvey is a busy man, as you know he's got his talk show, his radio show, his books, his comedy tour, all the things and he has a new platform called Vault.

Which is a learning hub for future leaders, entrepreneurs and corporate visionaries and he's got a conference happening in Los Angeles on May 17th through 19th. I'll be giving a keynote along with some incredible individuals. That conference you can learn more about at vaultempowers.com and it's an incredible lineup. I'm going to be talking on Sunday, it is a three day event. I guess it starts Friday goes through Sunday.

And it is in Los Angeles, it is also coinciding with the last day of Stacks House. So I am grateful that I got the opportunity to come back to LA for this and check out Stacks House on its final day. So we would love to see you there budgetaction, I don't know what your name is but your Instagram is @budgetaction. It a very cool feed.

All right, well thanks for your interest and hope to see you there.

[0:19:00.3]

All right, a question from @adamsag17andrew. "Hey Farnoosh, quick question for the Friday episode, is it better to wait for your credit card statement to pay the bill or is it better to pay as you go potentially zeroing out on your credit bill by the time the statement comes? Thanks, love the show."

This is a really smart question and it's worth diving into because I like to think of this as a really smart hack when it comes to improving your credit score or just maintaining your credit score. So what he's asking here Andrew is there any benefit to paying off your credit card bill as you spend rather than waiting for that monthly bill and I would say that there is an advantage especially if you are somebody who is in the market to acquire more credit.

Let's say a mortgage or a car loan or a personal loan and here is why because when you apply for credit what happens usually almost always is your credit score gets pulled right? The lender wants to see your credit profile. Now that credit score gets calculated at the time that the credit score gets pulled. It is not like you know it is going to wait until you pay your bill off at the end of the month and then compute it.

If it is Monday and your bill is due Friday, the credit card is due on Friday and on Monday you apply for a mortgage that credit score that the mortgage company pulls is going to reflect your debt to credit ratio at that moment and at that moment you may be carrying a balance on your credit cards because it hasn't hit Friday yet, you haven't paid it off yet. So your credit score could be a little adversely affected at that point in time.

Simply because of the time of the month. It is just the time of the month when you haven't paid of your bills yet. So your credit score, your debt to credit ration, which by the way is 30% of your credit score is relatively higher than it normally is once you paid off your bill. So people who are in the market for loans, credit, I think it would be healthy to pay off your statement as you go through the month rather than waiting because if you know that your credit score is going to be pulled at some point during the month.

While you are still carrying that balance, it could mean a higher debt to credit ratio, which could potentially bring down the score of it. So keep that in mind otherwise it doesn't matter and also the fluctuation may not be that incredibly big. I will say though that if you are looking to apply for more credit and then you just purchase something big let's say furniture or like a big ticket item and you have more than exceeded 30% or 50% of your credit limit.

Then I would pay that down pretty quickly before your credit score gets pulled for that loan that you are shopping for. I hope that makes sense, it is a little bit of a long winded answer but the bottom line is that your credit score can get checked at any point in the month and if you need to apply for a loan and your credit score matters at that point, you want to do the best you can to make sure that you have a clean bill of credit health.

That you have paid off your bills, you know all the things that credit scores are based on. So yeah, in certain cases Adam or rather Andrew, Adams is your last name, it is a good idea and that is a really smart question.

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And one last question here from Morgan, also a credit question, “How long should I wait between opening credit cards? I am looking to maximize rewards and just opened my second last week. Is it too soon?” I mean look, here’s the thing. Are you planning to apply for a mortgage or a car loan or some sort substantial line of credit where your credit score will play a big factor in your eligibility and relatively soon?

If you don’t have any ambitions to apply for more credit in the next six months, the next year then I don’t think it is super detrimental to open up another rewards card. People do it all the time, I mean there is The Points Guy, right? Brian who does this and talks about the strategy behind this. I would go on his site and actually see how he’s maneuvered to this. We are all full aware of what pulling credit scores time after time over a short period of time can do to your credit score, right?

Those are hard holes when a lender does it or a creditor does it. It is a hard inquiry which multiple of those can negatively impact your score. Just keep that in mind. You don’t want to be seen as getting out pulling all of these credit cards because that on the offset just looks like you’re desperate for credit. You know the calculators don’t know that you are just trying to gain the rewards system.

They just see that as someone who is probably needs a lot of credit because they’re having financial trouble but there isn’t any kind of hard and fast rule as far as how much time is okay to let pass in between opening up credit cards. I mean I would just say as in frequently as possible you know don’t go out there and I wouldn’t. I mean this is just not me. I don’t go out and open up a ton of credit cards for the rewards.

But there are some pretty good rewards card out there that are well worth it. So again, proceed with caution. Check out The Points Guy and I know he’s got a lot of information around this and I think he is a better expert.

All right, thank you so much for your questions everybody. I have to go back to Stacks House now and work the rooms. Thank you so much for joining. Have a great rest of your day and hope your weekend is So Money.

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