

EPISODE 890

[ASK FARNOOSH]

[0:00:34.3] FT: Welcome to So Money, everybody. It's Ask Farnoosh Friday and some of you might be on the road, hopefully headed out for a fun Memorial Day weekend. We don't have a ton of plans ourselves this weekend, my husband is going to a college reunion. I'm home with the kids hoping for good weather and some well behaved children. You know, that's a pretty good combo in my life these days. Sun and you know, kids who follow the rules follow directions. It's usually either or, or none of the above. To be totally honest. If anyone has advice for me, please send help.

All right, so I'm just going to cut to the questions today because we have a lot and I did something that I sometimes do, which is going into Instagram and in my stories just say, "Hey, send me your questions. I'm going to be recording soon, so let's get really current with your financial needs and you guys delivered.

So I'm just gonna go down the list and hope to hopefully hit as many questions as possible. There were about a dozen, but I don't know, usually we get to only about five or six. I do want to address this first question, Amin, wants to know, "Are there any situations where diversifying investments is not recommended?"

Well, if we're talking about investing in the stock market, I do think that diversification is a must. You know, you don't want to, as they say, put too many eggs in one basket. The market is extremely volatile and it works best in your favor when you do have all sorts of investments. Large cap, mid cap, international stocks, domestic stocks. So you know, there are a lot of investment platforms out there that can automatically diversify your, your basket of investments for you. And so I don't know of any rules of thumb that would be different or counter to that when it comes to investing in stocks.

I will say though that when it comes to perhaps investing in yourself, there is this book out there called *The One Thing* and it really is all about how it's important to focus on one thing at a time. And specifically when it comes to say, you know, working on your business, working on yourself

in service of your business, that having too many things on your to do list can be detrimental. It can actually backfire. And I'm the first to admit the back can be true. And so this is not probably the answer that you were thinking to get. But in that sense, I would say in taking your time to invest in one thing at a time is probably more fruitful.

So you don't get distracted. You can really go deep on that, you know, skill or assignment or project or exercise that you want to accomplish for yourself, for your business. Probably that's one place where I'd say you can just invest in the one thing at a time. Hopefully that's helpful. But when it comes to the stock market, definitely not, definitely diversify.

[0:03:50.8] FT: Pam wants to know, "Should I go on an unpaid leave to complete a CFP program? I have no time to study." So a CFP being the certified financial planner certification, I don't know. You know, Pam, I'm worried that if you go unpaid that that could be very difficult and could put you in a fragile place.

I will say though, that if you do have a large savings cushion and you can afford to say take off a month or six weeks or two months Max to really commit to studying and then pass this exam with flying colors, I would say, okay, well, you know, that's what savings is for I suppose. But I would try to see if there's a way to bridge both studying and working at the same time.

And you know, the CFP program is one that there's flexibility. You know, these exams are multi times a year, the courses are ongoing. You can go part time, you can go full time, you can do it online, you can do it a hybrid course where you're online and in class. So I think maybe look to find the program that makes the most sense for you and just don't rush into it. Take your time, if it means taking a little bit longer to complete this because you need to find the time to study but all the while you're able to earn money to support your bills, to keep, you know, all the financial cylinders moving. I would do that.

I worry about quitting your job for this. And you know, considering it's, it's an exam that, you know, would probably require just, you know, five to 10 hours a week of studying over the next three to six months, is my guess. And this is speaking from someone who did try to attempt to finish the CFP course. I didn't finish. I did have a lot going on. I was pregnant. I had a book

coming out and I had work to do but I also ultimately didn't go forward with the CFP program because I was advised against it.

Yeah. Sidebar. I was advised against it from other CFPs because what happens is when you become a CFP, it really makes the most sense to get one. If you plan to work with clients one on one and help to manage people's investments and give them investment advice. And I don't want to do that, you know, I didn't want to specifically work with people one on one. I just wanted the credential to further kind cement my expertise. But what happens too is when you become a CFP become subject to a lot of rules and protocols and clearances and you know, you have to say things in a certain way.

[0:06:38.7] FT: You can't really be off the cuff when you're giving advice. And ultimately it was a, it was not something that I was encouraged to do by people in the industry because they're like, if you do this, this could actually curb the way that you, you know, you, the way that you give advice. And it would kind of maybe curb your ability to have a big personality in this space. Like you have to be pretty by the book when you're a CFP and that was, you know, good to know because I was already having a hard time studying and I was like, okay, well there you go. I'm not going to pursue it.

But for you, back to your question, I think you know, I'm a little risk averse when it comes to like quitting your job or rather you're not quitting it but you're getting unpaid, unpaid leave. I don't know. I mean, you know yourself, right? Do you think you're going to have a tough time financially and if you think you're going to struggle, I don't know. Maybe it's better to just kind of give up a few things on your to do list to open up space to study for the CFP. Good luck and let me know how the exam goes.

[0:07:47.3] FT: All right. Libby wants to know what are the best things that 21 year olds should be doing to set themselves up for success financially? Well, one is when you get that job, ask for a raise. Make sure that you're negotiating on your behalf, make sure that you are earning your worth. Okay. Number two is that you are paying your debts off automatically, that you're setting up a system to pay back your student loans, payback your credit card debt.

I'm automatically, you're starting with the highest interest rate debt first as far as where you're putting most of your debt allocation. So if you have a variety of different kinds of credit card debt, start with the one with the highest interest rate and put more than the minimum on that, and then do the minimums on everything else, until that highest interest rate card is paid off. And then move onto the next highest interest rate card. Put more than a minimum toward that and the minimum on everything else until you kind of get yourself out of debt. From a credit card standpoint.

With student loans, it's also really important that you never miss a payment that you automate. If you need help with your debt in your 20s, get ahead of it, right? Call your lenders. I love the National Foundation for credit counseling, nfcc.org where you can walk in and meet with a credit counselor, a certified credit counselor. They'll help you examine your budget, evaluate your debt and hopefully get you on some sort of payback program. I would also start investing, you may not think you have the money to do so, but every little dollar counts and it counts big when you start young because of all that compounding growth.

So you have a 401(k) or a 401(b) at work. I would access that and I would look into really investing automatically up to 10% or, or if you can, you know, 10% of your paycheck every pay cycle. And if your company offers a match, do at least enough, invest at least enough in that 401(k) to earn that match because this is essentially like free money. And you know, I did a lot of side hustling in my twenties which I think still applies if you are scraping by because let's be honest, we just have been pretty stagnant for decades.

All the while living expenses of, you know, really climbed. I would say look at also bringing in an extra revenue stream. It's great as far as diversifying your income, but also great to help you more aggressively pay down some of the debts that you may have come into over your four years in college and in the beginnings of your 20s. So that's a lot of a prescription. If you need more checkout lots of books on this topic, including my own, which is called *Your So Money, Live Rich Even When You're Not*.

But we've had a lot of authors on this show that have more current books too on how millennials and 20 somethings can get ahead with their finances. One is called *Broke Millennial* by Aaron Lowry. Another is, *I Will Teach You To Be Rich* by Ramit Sethi. All of these authors, by the way,

have been on this podcast. So check out their episodes because they, that's really where we kind of go off the pages and their books and talk about other things that young people can do. That's my summary, my best, quick answer for your question and good luck to you.

[0:11:15.3] FT: Let's see, little Laura Jean, it says, asks rather, "Is a high interest rate bank account like 2.35% worth it if you're going to get taxed on it?" Well, you know, the way I look at it is you're going to get taxed on, you know, your earnings no matter what. You know, you have to report it no matter what. And so yeah, it's worth it. It's like saying that's it better be better if I got an account that's 2% or one and a half percent APY, you're still going to be subject to potential taxes on that money. So better a higher yield than a lower yield, if you are going to get taxed a just cause that's my mo, at least that's some money back in your pocket, right?

So, also let me know where this 2.35% APY account exists because that sounds pretty great for everybody listening. If you're looking for a good place to park, some rainy day savings, you can check out sites like NerdWallet and bankrate.com for some comparison shopping in the banking world. But yeah, I'd say it sounds pretty good. Not knowing anything else about this account, like it's fees, the accessibility, etc. I'd say just, you know, just going off the APY, I'd say that's pretty good. And in many cases, I think above average in the market.

Okay. Ang Porous, I don't know what I'm reading off these Instagram names. They're very creative A-N-G Porous, "How do I pace my startup with little funds and not wanting to borrow? I need to start quickly." This is a hard one. I'm not going to sugarcoat this. I guess my short answer to this is just a save as much as you can and be ready for a slow start. You know, if you don't have capital or as much as you need, the reality is you may not be able to take off as quickly as you want.

But I will say this, that a lot of people obsess about raising money or saving money for the purposes of starting a business, which absolutely is important. You know, money is not an inconsequential thing. It you need it and you need cashflow every month, especially when you're starting, your expenses are coming at ya. And cashflow is critical. But I will say that it's also important to take your time to know your market research.

[0:13:47.8] FT: Tap into free resources, right? Every big city typically has a small business kind of business development office within their municipality. We have them in New York and I'm pretty sure in many big — many big cities around the country. So tap into free government programs that might be able to, you know, give you a business coach, can do free marketing classes, free, you know, financial planning classes, things like that for your business, which in the beginning could be great but also a great networking too, right?

So you're getting to meet other business owners who like you may not be so inclined to borrow money, but I'd also say, you know what, once you get to a place where you're feeling really positive about the business and you've made a little traction and you feel more confident, look to doing a friends and family raise, you know, that's how a lot of startups start.

And the loan situation for startups is pretty grim, I will say. You know, as far as far as getting a loan from a bank or a lender, you're not going to get a lot. Unfortunately. You know, typically banks want to see about a year's worth of income before they give you any sort of robust loan. And I'm talking like, you know, \$25,000 or more. A lot of small business loans in the beginning are small, you know, five thousand, ten thousand.

Look into grants too. There's a lot of free money out there that many business owners don't apply for. Just like scholarships for college. You know, many students don't apply for them. Maybe they think they're not going to qualify. I think like I don't have time to apply, but I would say if you're not going to go the path of borrowing, go the path of trying to get the free money. It's out there. In some cases it's just a numbers game.

So cast a really wide net. You can do a really deep Google search on this. And that's what we're doing at SheStacks, you know, right now we're looking to apply for a lot of grants. There's also incubators out there that you might want to look into. I think Goldman Sachs has an incubator. Barclays has an incubator. A lot of these big banks typically have incubators. If you are the kind of company that's looking to start in maybe the personal finance space or build something in the fintech space, there are, companies that want to, you know, help invest in some of these next generation companies.

So do a search for that as well as you're looking for grants and good luck and let me know how else I can help. I love — giving is a much small business advice as I can given the recent experience I've had with Stacks House.

[0:16:29.1] FT: Jaggerwins, wants to know, "Is podcasting really making you money?" Definitely it is. It wasn't in the beginning, you know, but I would say within the year it was. And I have a whole program on how you can monetize your podcast if you're interested. I teach other things too in the program, but part of my So Money Accelerator Program is helping podcasters advance, you know, get more traction, get more listeners, start getting subscriptions and rather sponsorships and make some, some of that dough and yeah, there is money in the podcast space.

You just have to be strategic about it and be really focused on building your audience, building your brand, building your identity and your differentiation in the marketplace. And absolutely, there was a lot of money being poured into podcasts right now. You know, the smart money is betting on a lot of talented podcasters out there and I'm, I'm really lucky to be among them. I feel great that I can do this show, which is one of my passions right now.

And I get to do it from the convenience of my home. I've been doing it for four and a half years. It's a, it's been us, you know, a steady climb. It wasn't an overnight success and I have to be honest, making money right away was not one of my goals. My first goal was to just build quality content, consistent quality content, building the audience, nurturing the audience and eventually I think that sponsors will, you know, be interested in partnering with podcasters that really pay attention and focus on their programming and dedicate a lot of their time and efforts to building a strong, exciting show, which I hope this is. So, yes. Yes, yes, yes.

[0:18:19.7] FT: All right. Question here from Sebastian, who wants to know any strategies to quickly save some extra money for a vacation? Well first I would say that if you do have a credit card that is accumulating points, Sebastian, I would look into ways that you can transfer those points into, I dunno, reserving a hotel room, getting airlines, an airline seat booked, just start there because, that's one for, I love doing that. Sometimes when I have a big ticket purchase, like whether it's furniture or a trip, I go to my points and I see, okay, what do I have? I haven't used it in six months or a year.

And Lo and behold, I usually can get something of value of substantial value. When I was out in La for the launch of Stacks House, use my airline or rather my credit card points to book about 90% of my hotel stay out in Los Angeles. So I was glad I did that. So start there and then I would just say start saving a little bit at a time. Whatever you can just pre-commit, right? And reverse engineer it.

Look at, see what a typical vacation might cost you, where you want to go, what are the hotel rates there? What's the air fare right now and reverse engineer it. If it's like you gotta say \$1,500 or whatever, then you know, start to work your way backwards. And if you've got say five weeks or seven weeks, save that much money divided by seven or five weeks every week. And if you need more time, give yourself more time.

A lot of a hotel search engines, travel, vacation sites are offering deals when you book early and if you're interested in going somewhere this summer, now is probably a good time to book. But also I will say the reverse of that, which is if you're willing to go last minutes somewhere, also another way to save. So know it's usually like either way in advance or last minute when you're going to save the most money.

[0:20:15.5] FT: Last minute, I like to book at a site called HotelTonight. It's actually an app, HotelTonight. I think you can give herself usually five or seven days advance notice to book on their site. And their rates are typically, I would say, I mean I've, I've done, I've booked up through their app and I've compared what the going rate is on the app versus online at that given moment. And they almost always have the best rates. So HotelTonight is a good app for last minute hotel bookings on the cheap checkout, Groupon checkout, Gosh, what else? A Guild City are rather Guilds.

All right, last question here. DooDizzy wants to know about rental properties as an investment? Tell me more please. Well you know, I think at the end of the day whether a rental property will work for you, is that monthly cashflow, right? Is your monthly outlay for this rental property including your mortgage, your utilities, your taxes, maintenance, everything. Is that less than what you can charge in rent? And not to mention, what is your time worth because being a landlord is time consuming.

And then if you're going to hire a property manager, that's another cost. So it really is at the end of the day, a huge math equation. And I would say that there is one person that I love to defer to for more expertise on this topic. Her name is Paula Pant. She blogs at Afford Anything also has a podcast, but she is a serial real estate investor, you know, and she's the expert. I think she even has a course on how to start your first rental property and so I would look up her information, Afford Anything again is her blog and her podcast, Paula Pant is the expert, she's a financial expert and her niche is really in helping people with this investment strategy of basically taking on rental properties.

And I've had her on the show. So look up our podcast because we talk about this very thing. She will also tell you that it's really about cash flow, the research that you want to do, what is very specific to that market. Right? And I have friends who have rental properties all over the country. Honestly, that's not for me. I would feel really distanced from that investment and, and, and kind of, I want to be on the grounds. It's just me, of course, yeah, you can hire managers and property managers, but I don't know that it's just not my risk appetite.

And so that's the other thing you want to consider. I remember talking to Tim Ferriss on this podcast way back when and one thing he told me was that, you know, when it comes to choosing the types of investments are going to pursue, it has to make sense for you. It has to be, you know, within your risk appetite. He said, very frankly to me, "I don't invest in stocks really I," and this is Tim Ferriss, he said, "I would prefer to invest in businesses because with a business," you know, he's a prolific angel investor. He just feels a little bit more, I dunno, attached to that investment and more knowledgeable about the ins and outs and he feels like he make them more of an educated guess.

Whereas investing in some random stock, while yes, they have their earnings reports online and all the talking heads on TV spewing their expertise on various stocks. He just doesn't really have the, he said, you know, kind of interest and appetite and risk tolerance really for that, for that kind of volatility and hands offness.

[0:24:08.5] FT: For you. I'd say again the rental property pursuit would have to come down to the math. It would have to come down to your time and what your time is worth. If you do plan on being a landlord, it's also a little stressful and maybe a lot stressful. And then the other thing

is what's your risk appetite? You know, you know, in times of market downturns, real estate tends to take a hit and you know, are you okay with a couple of years of perhaps not finding a renter, you know, what is your financial capacity for this? Do you have a plan B in place before you pursue this? So I guess all to say that there are many things to consider.

I would look at Paula Pant's information, afford anything. And one last thing I will say is, well, I had two females on the show who run a company called Good Egg Investments. And Good Egg is basically a way for people who are interested in investing in rental properties to do so by diversifying their investments. So Good Egg picks the properties and diversifies them across the country and across types of housing and then you as the investor just give them money and they spread it across all these investment properties.

And you don't have to worry about being a landlord. You don't have to worry about like a 2:00 AM call, like, we have a leak in our bathroom situation. You don't have to worry about finding a landlord or rather a renter. This is all kind of managed centrally through Good Egg investments. And it's just a passive way, I guess, of investing in residential real estate. And in some cases, commercial real estate. So Good Egg investments, and this is the kind of tagline, "We help busy people invest in cash flowing real estate that impacts local communities all without the hassles of being a landlord."

[0:26:11.4] FT: So there you go. You're welcome. But do check them out and you know, they've been on the podcast, the two cofounders, they are two women, their total rock stars and a, I am not an investor in Good Egg investments, but I do find the concept really fascinating and frankly, you know, maybe down the road I would put some of my money with them.

All right, good luck to you. How about that? How about I think I got through all the questions. Let me see. Yes. Looking like I made it, I crossed the finish line. Thanks everybody for sending me your questions the other day on Instagram. That is a great way to reach out. By the way. Follow me at Farnoosh Torabi on IG. I'm pretty active there reaching out, asking questions, showing you some of the behind the scenes of my personal life, my work and asking for your input.

And if you'd like to cohost with me, don't be shy. I don't have a cohost this week because I've been traveling and it's been a bit of a project just trying to get some of my to dos on my

checklist. So didn't have time to secure a guest for this week, but we'll have some cohosts for the upcoming Ask Farnoosh and I encourage you to reach out, reach out on Instagram. You can go to so many podcasts.com send me a message there and I will be in touch.

Thanks for tuning in, everybody. Have a safe, relaxing memorial day weekend. Happy unofficial kickoff to summer 2019. Really appreciate you listening and see you back here on Monday. I hope your weekend is so money.

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