EPISODE 896

[ASK FARNOOSH]

[0:00:34.8]

FT: You're listening to So Money, everybody. Welcome back to the show. It's Friday. Raise your hand if anybody out there has an early dismissal on Friday from work? In New York, especially in the media world, I don't know if it's just our industry, but a lot of companies will release the employees early on Friday. It's called early Fridays, or whatever, summer Fridays. Yeah. It's been a while since I've worked at a desk in a company, but summer Fridays, my husband gets to take off summer Fridays. Very fun. Nice to be able to have that benefit.

If you're listening to this show, as you're enjoying your summer Friday, really appreciate you taking the time to connect with our community here. We've got a lot of good questions to answer. We have a special co-host, who's super experienced and fun. I'm going to bring her on stage in just a second.

I wanted to share something fun with you. This week, I taped a "live episode" of So Money at a beautiful space in New York City, called Luminary. Luminary is a gathering place for female professionals, whether you're an entrepreneur, or you work at a company. It's this beautiful co-working space, but really a meeting place for women. Part of what they have going on there is programming and workshops. I hosted my media workshop there back in May. Over this week on Wednesday, I actually hosted a live podcast with the co-founder and CEO of Stash Wealth, Priya Malani. She and I did an interview in front of over a 100 women and men at Luminary.

It was sponsored by Birchbox. If you're following me and my newsletter on social media, you might be hearing how I'm trying to shake things up a little bit as I go in for the homestretch of a thousand episodes here on So Money. As part of that effort, I'm trying to do more live podcasts. If you're listening and you'd like me to come and do a live podcast at your office, at your wee work, at your co-working space, at your house, I don't care, I'll come. I'll come. I got my gear. We just got to work together to make sure it's a good audience. It's my way of connecting in-person in real life with the audience that has so helped build this show to its rise.

Having co-hosts on Fridays as part of that way to connect with listeners, but really hoping to really get in front of the live audience as we bring this episode, or rather this podcast to a thousand episodes, which is going to be over the next year. We've got the time. As you listen and as you think about how to really make these last 100 episodes super special, think about how I can also shake things up in other ways. I'm open to your ideas if there are certain guests that you'd like me to have, certain topics you'd like me to cover.

By the way, what am I going to do for episode 1,000? I'm really nervous. Because also, I don't know if iTunes goes up that far, as far as being able to have a number 1,000 in the iTunes library. We will cross that bridge. In the meantime, let me know what I should do for the 1000th episode. Should I do it live from the New York Stock Exchange? Should I do it, I don't know. I'm running out of creative ideas. That's why I need you guys to tell me what to do. Let's crowdsource this.

In the meantime, still looking forward to having some incredible co-host on these Friday episodes, if you'd like to join me to sift through our listener’s questions. It's really simple. Just tap me on Instagram, direct message me there @FarnooshTorabi. You can e-mail me. You can send me a message through the website. If you go to somoneypodcast.com and click on Ask Farnoosh, there you can also let me know that you're interested in co-hosting with me.

All right, but without further ado, we'd love to bring on the stage our co-host for today, who did reach out and I'm so thrilled she did. Catie Hogan, she's a financial planner with Element Financial Group. Before that, she spent three years running her own virtual firm, Hogan Financial Planning. She serves the needs of Millennials, which is so many of our listeners. She's also the author of a funny book, informative book, called *The Millennials Guide to Getting your Sh*t Together*.

She's also a humor writer. She's a performer. I feel very much a kindred spirit in Catie Hogan. I'm laughing at her headshot, which has her with a piece of avocado over one eye. Of course, avocado being the new latte, right? Don't eat the avocado everybody, then you'll be able to retire on time. Not.

Catie, welcome to So Money.

[0:05:20.4]

CH: Hi, Farnoosh. Thank you so much for having me. I really appreciate it.

[0:05:23.9]

FT: I got to ask, your humor writing mixed with your financial acumen, how do those two worlds collide?

[0:05:31.4]

CH: Oh, my goodness. Yeah. Well long story short, I started pursuing both at the same time. Then when I was running my own firm, I just didn't have a way to stand out from the crowd. I had this epiphany that if I combined humor with financial literacy and personal finance that I would be able to breakthrough as something a little bit different. That worked.

There's a great Michelle Obama quote where she says, "First you get them to laugh, then you get them to listen." That is my motto in life. Yeah. It is so true, laughter is just a great way to disarm people and to gain trust and to really lighten the mood. I have found that it's a really great tool in financial planning. Also, to try to teach people about finances and that it's not rocket science and it can be fun.

[0:06:33.1]

FT: Yeah. Money is emotional. If we're not crying, we should be laughing.

[0:06:39.1]

CH: Absolutely. Life is tough, and so we have to try to insert laughter where we can.

[0:06:45.0]

FT: Who are some of your favorite comedians?

[0:06:47.6]

CH: Oh, gosh. There's so many. I'm a really big Amy Schumer fan. I love what she's been doing recently. She just had a baby and so, she's making a lot of great jokes about being a new mom. Yeah, I would say she's probably my favorite. I'm a Carol Burnett fan. I've grew up watching Saturday Night Live, so I love sketch comedy. It's hard to pick a favorite. It really is. Yeah, I would say right now, as far stand-up goes, I love Amy. Yeah, that's my –

[0:07:21.8]

FT: Do you perform stand-up? Do you perform sketch comedy?

[0:07:26.1]

CH: I've dabbled in stand-up, but I do mostly sketch comedy. I actually just relocated not that long ago up to New York. Before that, I was down and in Georgia and at the Atlanta area. I was working with a theatre called Sketch Works Theater, writing and performing with them for the past few years. I've still been able to stay active with them, which is really nice, even though I'm in New York. Yeah, it's been really – it's just a lot of fun and a great way to relieve stress and have a creative outlet.

[0:07:58.2]

FT: I love it. I love it. I love it. I love it. I love it, as Molly Shannon would say on SNL.

[0:08:04.1]

CH: Oh, she's awesome too.

[0:08:05.1]

FT: She is great. I once was behind her in line at like a bakery in New York City. I just knew she was behind me, because her voice is so iconic. She was ordering a croissant, she said it like that. Croissant. I don't pronounce things actually in the native tongue, even though I know very well that the French call it a croissant, but in New York it's a croissant. I was really impressed that she was sticking to the French pronunciation.

[0:08:38.1]

CH: Yeah. Well, I feel if she if she's going to order that way, now I have to – I'll never be able to call it a croissant again.

[0:08:45.5]

FT: It's a croissant. Are you ready to answer some money questions?

[0:08:51.1]

CH: Oh, I am excited.

[0:08:54.1]

FT: This is like, your dreams are coming true right now.

[0:08:55.8]

CH: I feel that.

[0:08:56.8]

FT: Barb has a question. First, I'm going to share the whole question, because it's a little – it's flattering, I'm just going to say it. She said that she recently started listening to the show and she loves it. L-O-V-E, all caps. She's telling all her girlfriends, her co-workers, even her mother to tune in. She's also reading, listening to the book, *When She Makes More*. Thank you, Barb.

I'm so excited to have you in the audience and I really appreciate this question. She says, “I have a Roth 401K through my place of employment and they are matching up to 50% on the first 6% of my income,” which is amazing. I think that's pretty much as good as it gets, right?

[0:09:37.9]

CH: Yeah, yeah. That's great.

[0:09:39.8]

FT: She says, what she can do is contribute up to 10% of her income, which is great. Wondering, should she also sign up for the traditional 401K and have both up to the max of the match? It seems like free money, but I'd to hear your thoughts. Listen, I feel more is more when it comes to saving for retirement. If you have that “free money” option, you should go for it.

[0:10:04.2]

CH: Yeah, wow. That's amazing that her company does that in the first place. Of course, if she can afford it, I would say absolutely go for it by all means. Like she said, it is free money. If you don't contribute up to the max, then you are leaving it on the table, which is cliché, but it's true. In general, we always suggest contributing enough to receive the full match. If it seems like a lot, I would suggest maybe looking at your monthly budget. If contributing that much is going to maybe impede on your ability to pay rent, or your mortgage, then you maybe want to consider how you could reduce your other monthly costs, so that you can contribute the full amount and receive that full match. Like you said, it's free money and do what you can to take it.

[0:10:54.3]

FT: Yeah. Or spread it over the two. From what I understand, she's got this Roth 401K and the traditional 401K, both have different tax implications.

[0:11:04.0]

CH: This brings up the discussion of tax diversification in retirement. The whole point of the Roth 401K and Roth IRA is that if you believe your tax bracket will be lower in retirement, then you should contribute to a Roth. Then a traditional of course helps you decrease your taxable income now, but you'll pay taxes later. It's all about when do you want to pay the IRS, now or later?

We don't really know what tax brackets will look like decades from now. We don't know what life will bring for us. It's a good idea to have your tax free assets, your tax report and your taxable, and so the Roth 401K and the traditional will help you fill those first two buckets at least.

[0:11:47.3]

FT: For starters, maybe do what you can to earn the match on both plans. Then as your income grows, you can increase your contributions either with the Roth, or the traditional. It's great to have both, right? Because as we talked about diversifying your tax exposure.

Okay, our next question is from Carolyn, Catie. She says that she just started listening to the podcast. She just started her career and is about to start managing her money. Great job, Carolyn. Way to take charge. I love hearing from young listeners that are trying to arm themselves with knowledge, listening to podcasts. Sounds so far, you're on a great path. Her question though is about saving and investing. Wants to know, is a high-yield savings account a good path for saving? She also wants to start investing, but doesn't know where to start. She's a little curious about acorns.

We just ended, Catie, talking about the 401K, the Roth 401K. I would say to Carolyn, when it comes to investing, a great place to start would be that workplace option, that workplace benefit, especially if there is a match to take advantage of that, you can automate your contributions out of every paycheck. It's very simple, very streamlined. If you get that match, it's basically free money. Contributing up to that match would be a great place to start.

Acorns is the thing where I feel like, look, if you don't have access to a workplace 401K and you've already perhaps opened up a traditional IRA, or a Roth IRA and you want to do a little bit more, Acorns could be great. The thing about Acorns is that it's very nominal. You're not investing – it's not designed necessarily to promote pouring in a lot of money at once. The idea is that it takes your expenses that you make on a credit card, or a debit card, rounds it up to the nearest dollar and takes that change and puts it in a diversified investment portfolio for you, which is great.

For people who maybe don't have a lot of money to invest at first, or want to invest more on the go, I think it can be a great way to get in the market in a way that is diversified and risk-adjusted and all the things that are really good as far as what we talked about, investing principles. As a primary way to invest for your future, no. I'd say it's a good supplement, right? Would you agree?

[0:14:15.4]

CH: Yeah, I absolutely agree. I agree with you that the employers – her employer's retirement plan is a great place to start. If she's thinking about investing outside of retirement, I would suggest that you should start by writing down your goals and then organizing them by time horizon, so you've got your short-term goals, intermediate and long-term goals. I think this is the best place to start, because it provides an actual visual of what you're working toward. Then you can decide how you want to allocate your money towards those goals, which ones are more urgent than the others. That's going to ultimately decide how you invest your money is by those goals.

Yeah. Emergency funds got to be in place first and I think a high-yield savings account. The only thing with those is that sometimes, they have higher minimum balances. If you can do it, yeah, absolutely take advantage of those higher interest rates. Once you've got your emergency fund in place, then the next step would be your employer's retirement plan. Then after that, you can do some other stuff, which is a all based on your risk tolerance, your time horizon, your goals. If you need more help after that, I would definitely suggest working with a financial planner. We can help you decide all those sorts of things, what to choose, what to do, what to focus on and how to allocate. Yeah, good job Carolyn. You're on the right path for sure.

[0:15:44.9]

FT: Yeah. Carolyn, I would just say make it automatic, whether you go with the high-yield savings account, or some other savings vehicle, when you do invest that you do it automatically out of every paycheck. That way, you commit much more easily to that goal. It's not something you have to remind yourself to do. They find that just as humans, we are not prone to doing these things on our own. Holding ourselves accountable is very difficult. Have some automation in place, so that you always hit that goal.

[0:16:14.0]

CH: Yeah. I'm really big on automation, just because it's going to force you to do the right thing. Every single month, or however often you're allocating automatically to these accounts, and you don't even have to think about it. It's out of sight, out of mind and you're just doing the right thing over and over without having to really use any brainpower.

[0:16:33.5]

FT: Yes. All right, Tisha says that she commutes over an hour to work both ways and has been listening to the podcast to fill up that time with something educational. Right on, Tisha. I would probably sleep during the commute. That's just because of where I am in my life right now. I really appreciate that. I mean, let's be honest, people always listen to podcasts when they're multitasking, or commuting, which is great. Reading a book is a lot harder when you're on the go.

She says, "You're teaching me so much about finances. Up until recently I never knew about some of these principles. The more I learned, the more interested I become. Thank you for making my mornings a learning experience." My pleasure, Tisha. She says, "My question is this. My company recently started offering 401Ks with no match." She's 28 and just opened up a Roth IRA this year to start putting away money for retirement. Admittedly, a little late in the game. She's comfortable saving about 10% to 15% of every paycheck every month towards this, and she's aiming to increase the number as she earns more. Do you recommend that I split my savings between the two accounts, or put all my funds in one or the other? I want to be as generous to my future self as possible.

Ah, I think that's really great. I mean, I think that look, the Roth IRA has a limit, right? It's $6,000, right? $6,000 this year for you up to age 28. Maybe do that. Max it out. Then with whatever you have left, put that in the 401K. I like the idea of again, straddling both a 401K and a Roth IRA because of the different tax exposure in retirement, which again, if you're not knowing what our tax situation is going to be down the road, it's nice to have a little bit of both options of paying taxes versus not paying taxes in the future. I like that you're doing both and I like the idea of the 15%, maybe the higher end of that range because she's a little bit late to the savings game.

Maybe first step is just to run some calculators, right? How much will she need in her future life? There's calculators online at places like nerd wallet and where else? AARP. Choosetosave.org has a retirement calculator. That will allow you to see that future number and then think about, "Okay, given that I'm 28, I haven't started saving yet, or investing yet, what do I need to really do on a monthly basis to get there?" I like the idea of doing both and I like the idea of doing about 15% sounds about right to me. Any other advice for our friend, Tisha, Katie?

[0:19:22.2]

CH: Yeah. Yeah, that's great advice. I do agree with you to focus on the Roth first, max that out if you can. Then go back to your 401K. Put in as much as you can there. If you're at 15%, I always tell people if you can inch that up every year to get closer to 20% of your income going into savings and investing, that'd be great. If you can get to 15 this year, maybe next year try to get to 16, and then the year after that 17. If you can do even more than that, that's really wonderful. I think, definitely for sure, the Roth is a great way to go, and then contribute to your 401K as well and try your best to hit that 15% mark.

[0:20:03.0]

FT: Yeah, for sure. Tisha, good luck to you and hope the podcast keeps you awake on your commutes. All right, Victoria, last question here, she says, "I recently got married and we've been together for 10 years. Together for 10 years, recently got married." She says, "We have built our lives together, but we have separate bank accounts. We're now talking about combining some money to create a household account. He uses a credit union. I use a bank. Is there a benefit to either? Does it matter?" This, I would say – Are you married, Catie?

[0:20:42.0]

CH: I am. Yes.

[0:20:43.1]

FT: Okay. Maybe we just extract from our personal experiences, because this is really a personal decision. Although, I would say that if the credit union has really better interest rates, better terms as far as monthly fees, monthly minimums, I would go with the bank that is just generally more attractive, right? Depending on what your goals are, as far as where this joint account should go.

I think that part of what I'm sensing and maybe because I went through it and I'm maybe seeing myself a little bit in this question is like, we're each attached to our own financial institutions, right? The idea of having a new account somewhere else might not be that exciting. “Oh, I have to – a new login. It's a separate place. I'm not familiar with how the website works. I'm not familiar with this bank.” I get it. There is going to be a little bit of a transition for one.

You could also just have it at a whole brand-new place, just like a neutral territory. That again may depend on the provisions at each of your banks, if they're both unattractive. Maybe it's finding a new place to start a new account there. How do you and your partner go about this, Catie?

[0:22:00.0]

CH: Yeah. Well, this is I think a great time. Well first of all, congratulations Victoria. Very exciting. I do think that this is a great time to sit down and do some homework together, which is not I know what new couples want, newlyweds want to hear, but it's a good time to do your homework to compare and contrast your credit union to your bank, not knowing which credit union and bank you would use. I would write out a list of everything that's good about each and what are some of the cons about each. Then decide how do we want to do this, which leads into a bigger discussion of how do you want to combine your finances? Do you want to use –I for one like the hybrid method. My husband and I use that where I still have my own savings account. I have my own credit card.

We have our own combined joint account, checking account that we use to pay our bills. From there, we can allocate money to our individual goals and then our goals as a couple. I think this is just a good time. You're at a fresh place at the beginning of your marriage, where you can really sit down and figure out, “Okay, where do we want to do our banking? How do we want to allocate our money? How are we going to save toward our individual goals and then our goals as a couple?”

I think this is part of a bigger discussion. Really, I hate saying it depends, but which credit union, or banking you go with, it really depends. That's the answer right there, but it's a good time to sit down and do some research and find out where you should put your money.

[0:23:40.4]

FT: That's a really good advice, because yeah, part of this is a technical equation and, right? Where is our money best going to grow and what is the most accessible to us? What will be the most cost-efficient place, as far as maybe fees and other sorts of fine print that banks sometimes tack on to accounts. Also, it's an emotional question. I talked about this in my last book, *When She Makes More*, which yeah, it's for breadwinners. I think the advice is universal when it comes to figuring out as a couple how to navigate your finances together.

The arrangement you make is really a combination of what makes the most practical sense and then what makes the most sense, given each of our sensitivities around money, right? This is really a good time as Katie said to sit down and talk about – maybe you've not had this conversation, even though you've been together for 10 years, but really talking about your money feels, your money feelings and going back and talking about what money means to you and what kinds of associations you have with money, what are your goals, all of the things, because those do directly, or inadvertently impact your preferences when it comes to how you design your financial life together. It's just good to have that baseline and understanding before you make any money moves. I think they’re going to be okay. I think they're going to be okay.

[0:25:10.0]

CH: Absolutely. Yeah, and I always suggest making it a date night. I know that sounds very weird, but I think it's a good idea to make money – Money isn't going to be romantic all the time, but it takes some pressure off when you got a good glass of wine by your side. You can have a nice conversation.

[0:25:31.2]

FT: Yeah, or whatever, a matcha latte, whatever. Whatever you want. That's all the rage right now, the matcha.

[0:25:39.6]

CH: I know it. I know it. I'm not really into it.

[0:25:41.6]

FT: I'm not participating. I'm like, I don't understand it, but it's just one of those things that Millennials are wasting their money on. No, I'm just kidding.

[0:25:51.6]

CH: That's okay. That's okay.

[0:25:54.6]

FT: Go have that latte, whatever you want. Just build your finances around that to be able to have your rich life as my friend Ramit Sethi says. All right Catie, thank you so, so much. We're really excited that you reached out to co-host with me. Everybody, check out elementfinancialgroup.com, where you can learn more about Catie and her firm. Her book, which is called *Millennial's Guide to Getting Your Sh*t Together*. I'm not going to say the fourletter word, because then I have to make this an explicit episode, which I don't care about, but often I forget. Then iTunes might boot me out of the library because of it.

[0:26:33.3]

CH: Oh, we don't want that to happen. I want that to be [inaudible 0:26:35.0].

[0:26:35.4]

FT: They have, not because of explicitness, but because well, I'm not going to go down that path. iTunes can be a little finicky, even though we love it. I got to play by the rules.

Thank you very much. Hope you have a great weekend. Everybody listening, I hope your weekend is so money.

[END]