

**EPISODE 908**

[ASK FARNOOSH]

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**FT:** Welcome to So Money, everybody. Happy post-4<sup>th</sup> of July. You're probably off from work today. If you're not, what are you doing? Go out there. Have fun. Relax. Chill out. It's the summer. It's independence week. I'm recording this from my house in Brooklyn. We did not go away this year for 4<sup>th</sup> of July. It's a little tough traveling with a toddler and even with a five-year-old. I think we're just home bodies a lot of these days. If we can avoid planes, trains and automobiles, we will. We like walking. We like busing, strolling. Sometimes it's nice to be one of the few people left in New York City during a holiday weekend. That's us right now.

We're looking forward to being able to get any seat we want at any restaurant, outside, first on the swing set, first of the sprinklers. It's our little staycation. We are planning a getaway later this month to Martha's Vineyard; my first time, which is weird since I grew up in New England, Massachusetts even. This is going to be my first time in Martha's Vineyard. That's going to be a bit of a haul, so we're splitting up that trip, because as some of you may know, there's a ferry involved. We are going to drive and then stay overnight somewhere near there and then get up the next morning and drive to the ferry, then ferry and then the whole shebang. I know that part of the fun is not the destination, it's the journey. When you're a mom to two little ones, I'd say, I look forward to that destination.

This was a really cool week. We had some awesome guests. On Monday, we had Samantha Razook. Speaking of summer time, she is the creator of mastermind of a camp called Curious Jane. Curious Jane is a company that she developed during the recession. Meant to be a camp for her two young daughters at the time and their friends and it's evolved over the years into being much more than a camp, a magazine, a great destination for girls who want to learn about STEAM; science, technology, engineering arts and math, right? Did I get that right?

She came on the show to really talk about the journey behind the business and her personal perspectives about money. We also spend a good bit of time talking about her divorce and how

she and her now ex-husband managed the finances, managed the divorce, kept it pretty friendly as much as they could, and also saved a lot of money along the way. On Wednesday, we had Debra Roberts on the show, who's the author of *The Relationship Protocol*. It's a summary of her life's work, helping couples and individuals develop better relationships in their relationships, their personal relationships, but also their relationships at work. We spent a good chunk of time talking about the exact sentences we need to have when we're having money conversations with our partners, because oftentimes, those conversations can go awry, if we don't come with the right set of communication skills, expectations. Words matter and Debra gave us a lot of those tools on that episode. Definitely check that out.

All right, today we have your money questions. For these, I'm heading over to Instagram mostly. By the way, posted something pretty different on Instagram recently; I posted an excerpt, a clip from my recent appearance at Caroline's on Broadway. Some of you may know, I'm a rookie stand-up comic. It's been about a year since I took my very first stand-up comedy class. Yeah, that was almost a year ago. It's been a journey. I've performed a handful of times on pretty big stages and small stages. This last clip that I posted was from May, just doing the thing on the stage. I got a couple laughs. If you want to see how my other life is, check out Instagram. If you like it, I'll definitely share more.

All right, question time. This one comes from Susanna. Hello Susanna. She says, "Farnoosh, I just opened a high-yield savings account at an online bank for my emergency fund." Right on. "I chose the one with the highest APY, since I could meet the account minimum. However, I realized it would also be smart to use high-yield savings accounts for annual expenses and my travel fund, but I can't meet the account minimum at my online bank and my brick-and-mortar bank has a low APY. Should I change online banks to a lower APY, or can I open accounts at a third bank?"

Well, certainly you can open accounts at a third bank. The issue with that is that it's another bank, and so it's one remain to track. I think that in this case, if you do want to get a high APY, no account minimum and specifically it is safe for something a little bit long-term-ish, like a travel fund, it can't hurt to continue shopping around for another online bank that better meets your needs.

I think for your annual expenses though, are we talking about recurring expenses? I don't think that that should go into a high-yield savings account. I feel that should go into a checking account. The reason you probably can't reach the minimum for that account is because you're constantly deducting from it, that's my guess, because bills come up and maybe you're auto-paying, or you're just writing checks out of that account, because these are categorically your annual expenses. I'm not sure. It sounds like these are just the totality of your annual expenses in one account.

For that, I would be more concerned that it's somewhere that is not charging you fees, that is a bank where you're conveniently able to transfer cash, you're not getting charged for transfers, that there's a lot of ATMs around for this bank. Again, the fees can really add up, especially for an account that there's going to be a lot of activity within that account, if you're accepting checks, if you're wiring money, if you're taking out money through an ATM. If you're with a bank that does charge fees here and there, that can certainly add up over the course of a month to 20, 30, 40 plus dollars.

I think that can you open up a third bank? Sure. I think the bigger question is are you going to be okay keeping tabs on that? Now I like to look at everything in one snapshot. I have a lot of different accounts. For me, what's helpful is to be able to see them all in one place. A place like mint.com can be helpful for anyone out there that does have multiple accounts all over the place. Rather than having 18 windows open and having to log in every time with all these different passwords, have the one password via Mint, or another dashboard that gives you a one-stop look at all of your accounts and the current balances and all of the things.

Yeah, I think that in the pursuit of trying to make more money with your money, it's worth it to go a little bit of the extra mile to open up that third bank account. If it's because you can't meet the minimums elsewhere in the APYs that your bank aren't that attractive. Hope that was helpful. Next up is Fit Mom. Okay, I'm going to botch this. Sayjoviano. Maybe not. Maybe I got that right. Happily married, CrossFitting, running, breastfeeding mommy, college-educated Latina, travel attic, want to-be photographer, mental health advocate, also So Money listener. Thanks for writing in. She says, "I've been bingeing your podcast. Do you have an episode on the best ways to say for a child's college or future? My daughter is two and a half. I would like to start a

savings account for her for college, where people can put money in as well for birthdays, instead of gifts. Wondering what the best account is to have.

Yeah, I've had a number of conversations with guests where we touch on college savings. I can't remember exactly off the top of my head, but if you go to [somoneypodcast.com](http://somoneypodcast.com) and if you search 529, which is the name of the popular college savings plan, I'm sure you'll find those episodes. The 529 plan is what we have for our kids. A 529 is one of the most popular, if not the most popular college savings vehicles. It functions much like a mutual fund, where you've got investments in there that are picked for you based on your time horizon.

If you've got a kid that's two-and-a-half, she probably won't be going to college for another 16, 15, 16 years. That portfolio is going to keep that take that into account. It's not going to be as risky as say, somebody who's going to have a kid that's going to go to college in the next 25 years. Or it's going to be perhaps a little bit more risky than a portfolio that's looking at college in the next five years.

The 529 plan is really designed to help you pay for qualified education expenses. That includes expenses at college. This just in, this is pretty recent, 529 college savings plans, while they've traditionally been designed to help families pay for higher ed costs, i.e. college, under the new tax overhaul that happened at the end of 2017, parents can now withdraw up to \$10,000 tax-free from a 529 plan each year to pay for private school tuition for kindergarten through 12<sup>th</sup> grade. That's nice, if that's something that you find yourself needing. If you need that money earlier than later, sooner than later, 529 plan is now a little bit more flexible.

You heard that right, the withdrawals are tax-free. When you go to withdraw this money for the purposes of paying for qualified higher ed, or in this case, K through 12 private school education, you don't have to pay taxes on those withdrawals. Now I mentioned earlier that these are state managed, state-run programs. Just because you live, say in Iowa, doesn't mean that you have to use your state's plan. You can get any state's plan. I would recommend going to a site like [savingforcollege.com](http://savingforcollege.com). It's a great website, has all the breakdowns of 529 plans. You can search by state. You can look at other state's plans. Obviously, I live in New York. We have the New York 529 plan. Because we think that it's one of the best ones.

Actually for New York residents, New York offers a substantial tax deduction for residents who contribute to its 529 college savings program. That's a perk. Not every state has this for its residence. If you do have this advantage in your state, that's probably a good place to start and really consider opening one up there. Beauty of this is that your parents, your family, your friends can contribute. Some 529 plans have gifting platforms that allow for friends and family to make these deposits. Other plans will just accept gift contributions by cheque. Again, go to [savingforcollege.com](http://savingforcollege.com). That site has been around for a long time. I've been referencing it for over a decade. It just really has all of the A to Z when it comes to these plans.

Another thing you might want to consider is a Roth IRA. If you don't have one already, as we know we talk about them a lot on the show. A Roth IRA is really designed for the purposes of retirement, where you contribute to this individual retirement account. Much like a 529, the withdrawals in retirement can be done so tax-free. Some people like a Roth IRA for its flexibility, in that if you do decide that want to make an early withdrawal for the purposes of say college, or higher ed, your after-tax contributions can be withdrawn at any time for any reason with no taxes or withdrawal penalties.

Some people like that, because it's a two-for-one. You got this account, which yeah, you're hoping you won't have to tap until retirement. If you do, you can take out your contributions at any time without a tax, or withdrawal penalty. I don't know about grandparents contributing to your Roth IRA. I think that is a no-no. Something to consider if you're really wanting to go for a type of fund, or savings vehicle that allows for family contributions, then a 529 might be the best way to go. All right, good luck to you and thanks for your question.

All right, a question about how to prepare for an interview from Jacqueline on Instagram. She says, "Hey, Farnoosh. Firstly, your podcast has broadened my perspective in understanding of personal finance in a way that is not intimidating." Well then, I feel my job is done here. Thank you so much for that feedback. She says, "I'm 23-years-old. I graduated college in 2018 with an undergrad in computer information systems and an MBA." Whoa, it's incredible. Way to go. "I went into a tech role at a financial company and quickly realized it was not for me AT ALL." She's got at all in all caps.

“My interest in personal finance and planning has turned into a passion. Through networking at my company, I was able to job shadow in one of the company's investor centers. I loved it. I was encouraged by the branch manager to interview for an entry-level opening in the company's financial consultant program. I'm going for it. What advice do you have for interviewing in terms of how to market myself, despite not having any of my financial licenses yet?” She says, “Licenses are not required for the role. The company supports you through getting licensed, but candidates with their licenses have an advantage. What strong questions can I ask in the interview to set me apart from other candidates?”

Well firstly, I think that exhibiting your passion is not to be taken lightly. I think that very few people would say that they love personal finance. I mean, we all do, right? We're all in this so money community. Present company excluded, I think that we're in the minority, right? The most people are in that camp of feeling intimidated, like you mentioned earlier, or feeling just underwhelmed, or bored by it, frankly. To say that at 23-years-old, you have really been inspired and enlightened and drawn to this, I think really says a lot. I think that should be duly noted as you go in for this interview, and maybe talking about the why behind why you do find this passion in this area. Is there a personal story? Is there a personal development that you went through a financial development, a breakthrough that you can share?

I think relatability is important, because if you are going to be working in front of clients with clients, at the end of the day, people want to work with people that they like, that they relate to. You really want to showcase this to the best that you can to these hiring managers, right? I think that basically, just being yourself. It sounds like you're going to be a shining star for this job. I mean, you were recommended, so already you're ahead of it. Your resume is at the top of the pile.

Now the second part of your question is what questions can you ask to set yourself apart? I love where you're thinking. I love this is exactly how you should be preparing for an interview. Because sometimes, the part of the interview where I've gotten stuck is when the employer is like, “So, do you have any questions for me, or about us?” This is where you really have to do a little bit of homework, because unless you got some great inspiration during the interview and then thought of some incredible questions on the spot, better to come with some prepared questions.

My advice is to first, do some research on the company. See what they have done in this area, what innovations have they done, what out of the box things have they performed, what are they trying to accomplish. Maybe there's been some news, articles about them. Or just internally, maybe you could find some employees you can talk to learn about the goings-on within this department and some of the initiatives that they have, so you go to this meeting already understanding what their hopes, dreams, goals, missions are. Then play off of that and ask about what they find has been working for them as they try to perhaps cater to a wider audience. Because as we know, right? Women and Millennials are the future. Gen Y and Gen Z are the future.

Women, it's no secret they hold the purse, they are the breadwinners increasingly, they are the ones that are going to college at a faster clip, getting those college degree. They're really going to be in a position, also on the receiving end of this massive transference of wealth, billions, trillions of dollars. What are we doing as a company to address this, to welcome this, to service this? Maybe you could say like, "I noticed you did this project, or I noticed you did this offside. Or I saw that you did this community initiative. I thought that was really exciting. Are there more plans for this? Because this is an area that I'm particularly passionate about."

What you're basically demonstrating by asking this question is one, you've done some research on the company. Two, you understand what their goals, values, missions are. Three, you are interested in investing in that goal, value, mission that you're asking about next steps with this and how you can get involved. Maybe if you really want to drive this home, propose some ideas. You turn this question really into an opportunity for you to talk about how you might be able to implement some new projects, ideas that you have in mind for benefiting ultimately their bottom line, but maybe packaging it in a way as how we can service our customer, our clients better, how we can attract new clients, how we can attract more, say women, if that's important to them. I think that is important to a lot of financial institutions and a lot of financial departments within companies. This is where I think you can really shine.

Just takes a little bit of time going through some article clippings, talking to maybe some people who work there internally, getting the down-low. I'm not worried about you. I'm not worried about you Jacqueline. I hope I'm saying your name correctly, or Jacqueline. I really appreciate this

question. I love that you're just 23 and so ahead of it and so bright. Thank you for being the audience. Tell us how it goes. Y'all never let me know how the things go. I give you the advice and then I never hear back. Would love to know the follow-up to this. What happens? Maybe we can help you get to the next stage. All right, good luck.

All right, a belated response to Michelle on Facebook. To be totally honest, I don't really check Facebook that much right now. Although, the one thing I'm really excited about on Facebook is I have opened up my When She Makes More group to the public. I started this When She Makes More Facebook group five years ago when I first launched the book, mainly as a place where everybody who was supporting me could find updates and news related to the book. Really, what I'm finding is that more people need a place to gather, to talk about what it's like to be the breadwinner, or the female breadwinner in the relationship that you're in. Or maybe I'm married to a woman who's a breadwinner and I want to talk about it and I want to find people who have similar experiences, or who can give me some resources, tips, advice.

If you are in that camp of being a female breadwinner, or someone who loves a female breadwinner, join us at When She Makes More on Facebook. It's just [facebook.com/whenshemakesmore](https://www.facebook.com/whenshemakesmore). I think you have to ask to join. I'll approve it right away, because we're good like that. Hopefully, it's a place where we can all grow and learn from one another. That's what I'm excited about on Facebook.

Michelle on Facebook, so sorry you wrote in May and I am just getting to this question. She says, "Hey, Farnoosh. I want to remodel our kitchen and I decided to get a HELOC with a one-year fixed rate at 3.45% for a \$150,000. Now I'm wondering if that was a good idea. We haven't started the remodel yet, but we're tempted to pay off the whole thing and delay the remodel instead. What do you think? Then I had a follow-up question we've been chatting a little bit on Facebook, Michelle and I. I said, so I just want to know what happens after the year expires with the HELOC. Does the rate skyrocket after that?"

She says that after one year, she'd have to reapply for a new rate. Her only really big debt right now is her mortgage. She doesn't really like the idea of having another loan, but it seems that this is the only way she'll be able to remodel the kitchen. She's worried about a recession too.



Another reason to have a doubt about having a HELOC, when is it financially a good time to remodel and what loan options are best?

Here's the thing about a home equity line of credit, Michelle. It's a line of credit, so it's technically alone, but only until you start to use it, only until you start to withdraw from the line of credit. It's really just a big line of credit, like a credit card, right? We have credit cards in our wallets. If we're not using them, we're not technically in debt, we're not technically borrowing anything. I think I just want to clarify that, because it sounds you are worried about something that really you shouldn't be worried about. That you can take out this HELOC, it will do no harm to you from a financial standpoint, until you start withdrawing from it and then you'll have to start repaying it, just like you would a credit card. You'll have a minimum that you have to pay every month, depending on how much you withdrew from the HELOC. It's going to be based on this interest rate.

I think that 3.45% is really great. If you were to have to borrow to get money to do this renovation, I don't know if you're going to get something lower than 3.45% frankly. First things first, think about as far as the remodel goes, what is the priority? Also think strategically, will this actually benefit the value of our home? Will our home appreciate? It's never perfect time to renovate. I think that there's always perhaps other ways you could use this money. I like to think of it as an investment. It's an investment in your happiness in this home and it's an investment in hopefully, the appreciation value of this home.

I would try to make sure that if you're going to use this HELOC that you use it within that year, because you don't want to be in the middle of a renovation and have to reapply to get a new interest rate. Then you don't even know that interest rate is going to be. Timing it's really important. If you're going to do this, I will say that contractors, builders, plumbers, all the people who work on home renovations tend to be busier in the summer and in the spring, when the weather is nice. In the cold winter, you might be able to get better deals, you might be able to hire people that would normally be busy. Something to keep in mind. This is a project you can condense within a few months over the fall, winter, then you might want to strike then, just because you might have a better chance of getting people to work with you within your budget.

Just going back to that first thing, don't worry about this HELOC impacting your finances. It's only really going to be a thing once you withdraw from it and then you have to pay it back. Again, monthly payments. It's not going to all be owed back right away. If you take out \$10,000 out of this \$150,000 line of credit, you have to pay back that \$10,000 over time. Certainly, you can pay it off right away and avoid the interest burden, but again the interest seems to be pretty low. In the grand scheme of things, I think that it's okay if you want to pay this off little by little over the course of the year.

I think if you want to do this and it will make you happier, you can make back those payments within the year after withdrawing whatever you need to withdraw from the HELOC, and this could maybe as a bonus add some value to your home. Update it, make it a little bit more attractive. If down the road you do want to sell it, not a bad time to go for it. All right, good luck to you.

That my friends is our Friday, July 5<sup>th</sup> Ask Farnoosh. Thank you for listening. Again, I hope you're having a really time. I hope you were able to take some time off from work and enjoy the summer holiday. As a reminder, if you have questions for me, it's really easy to get in touch. There's a few ways. You can go to Instagram, send me a direct message with your question. Keep them relatively short. Really long questions, I won't have time to get to, and then to have to read that on the show, it's a lot for listeners to pay attention to. Just keep that in mind. I know that personal finance is personal and there's a lot of backstory and context to numbers. If you can just maybe cut to the chase a little bit as you ask questions, that would be helpful.

Direct message on Instagram. You can go to [somoneypodcast.com](http://somoneypodcast.com), click on Ask Farnoosh and leave me your question there. You can also e-mail me, [farnoosh@farnoosh.tv](mailto:farnoosh@farnoosh.tv). Have a great rest of your weekend everybody. I hope your weekend is so money.

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