

EPISODE 914

[ASK FARNOOSH]

[0:00:35.5]

FT: You're listening to So Money everybody, it's Ask Farnoosh Friday. People asking me, I just acquired several million in a settlement, what do I do with the money? That's a fun one, good problem to have. Another question here about how much to save for retirement. If these are questions on your mind, maybe not so much the million dollars and sell them but that's a fun one, let's all listen to that one. Then this episode is for you and a couple more questions in between.

We're going to tackle as many questions as we can today, Ask Farnoosh Friday. July 19th, hope everybody's having a good summer. It is scorching hot here in New York City earlier this week also my elevator decided to not work, I live in the 19th floor.

I guess that's an extra workout but try doing that with two little kids, yeah, that was an adventure. This week, we had the pleasure of inviting Andrea Pactor to the show. Andrea is a managing director at the Women's Philanthropic Institute at Indiana University and one of the really fascinating statistics that she brought up, some data that her team found was that women are actually the biggest givers on the planet.

We have the wealth gap of course, we have the investing gap and we don't have as much money in our bank accounts as men. But as a percentage of income across all incomes. Women are giving more than men right now. That's really fantastic and so we talk a lot about the differences between how men give and women give and why are these differences important to point out?

Also, you know, how to come up with a giving plan, you know, it's July and a lot of us tend to give either I think during disasters, when disaster strikes, we have a natural inclination to want to give back to people who are victims of hurricanes and earthquakes and then around the holidays of course, everyone's asking us for money.

How to be more intentional about your giving, that was something that we covered and really like that episode because we don't talk about philanthropy as much as I'd like to on this show so we dedicated a whole episode on Monday to that. Today, we have a special cohost with us who is the brain behind Brainy Boss.

It's a business that focuses on better business organization, especially for small business owners, you know, earlier this week, also we had on a couple of guests who are behind the business, The Integrated Hustle and that is something I do want to talk to my current cohost about.

Annie LaCroix, welcome to the show.

[0:03:13.3]

AL: Thank you so much for having me. I'm thrilled to be here.

[0:03:15.6]

FT: Yeah. I am too, you know? Especially now as I mentioned earlier this week, I interviewed two women who are the founders of a program called Integrated Hustle which similar to what your intention is with Brainy Boss is trying to help some of the business owners to sort of like find a healthier balance, more organization, more clarity within their business and they call it Integrated Hustle, you have a different term for it on your website, you call it intentional hustle.

We're getting tired of just hustle, right? We got to layer on to this hustle.

[0:03:48.9]

AL: That's right. I definitely focus on that, I'm a reformed workaholic, myself and I had just been looking for a better way to create some space and enjoy the moments in my life that I have because you can't get them back. We have to work hard and we have to do things with, we

have to hustle if we're going to own a business but I think it used to be more like let's just hustle all the time and whoever is hustling the hardest and the longest is going to win.

I think that there is a better way to do that. That's a lot of the focus of Brainy Boss.

[0:04:21.8]

FT: That's excellent. Do you help mostly women, men, who is your target customer client?

[0:04:28.5]

AL: I basically help women. I mean, I have a few men that I work with but women tend to gravitate towards working with me and I enjoy working with women entrepreneurs just because I think is an underserved market. Especially for really small businesses which is my focus to like teams of five or less.

That is a group, women owned businesses with teams of five or less is just a group that is really underserved. That's my favorite group of people to work with and I also think that women tend to overwork more than – and try to do too many more things. I think giving permission to say it's okay to have some space and some stillness in your life. Is an okay thing to do.

[0:05:14.1]

FT: I love that, it really echoes to what we talked about on Wednesday where The Integrated Hustle is this other program but they were really all about like, yo ladies, we need to take a step back or at least like – maybe don't call it a step back because that feels backwards but it's really about taking pause or it's also like you said, giving yourself permission to find the streamlines to find the efficiencies so that you don't have to keep working because yeah, there is this weird connection that we have to work which is that, in order for it to be great, good, important work, it has to be a lot of it.

I think we also – I'm a mom, I think when it comes to motherhood, there is this like, weird belief that the harder you work at motherhood like the harder it is and the better you're being at it which is so just terrible thing to prescribe to, right?

[0:06:09.2]

AL: It is, that goes along with that I think, what we kind of do this culturally but just we say, what did you do this weekend? You go, I did so much, I was so busy and this is a value, it's good that we're busier but – if you say something like well, I laid around in in my pajamas all day, you have to make an excuse for it. I didn't do anything, I'll get more done today and I think we just need to change the way we speak about that, you can say, I went to work, I did this, I took care of my kids, I did this and then I sat down and did a little bit of nothing.

That should be an okay thing to do. Setting up systems which is my focus, setting up systems so that you have the ability to do that is what I do with small business owners.

[0:06:53.4]

FT: Right, we should have equate that to this luxury, you know, that we somehow have to work so hard to earn that but your mental health is not a luxury, you know? It should be an essential part of your ability to function and you should cherish it. It is valuable but it's not something that you should just aspire to have.

I want to just – I want to democratize mental health, that should be something which we should all have access to and should be proud to talk about that we are feeding our mental health.

[0:07:26.7]

AL: It should be first.

[0:07:28.2]

FT: Yeah.

[0:07:28.4]

AL: Yeah, it should be first because if your mental health isn't in a good place, you can't take care of your kids, well, you can't run your business well. None of that functions without you being in the best place you can be. I think we forget about that we lose sight of that. It's really important. It's important for us to change the way we speak about it.

[0:07:50.0]

FT: Yes, well thanks for the work that you do, everybody check out brainyboss.co for more about Annie and all the great work she's doing there, rethinking the hustle, are you excited for our questions today, Annie? I know I sent them to you ahead of the show.

[0:08:06.5]

AL: I'm very excited, you've got some great people thinking about some – what to do with their money in awesome ways, I'm excited about it.

[0:08:13.6]

FT: Awesome. Okay, let's start with a really fun one here. Ashley on Instagram says that a family member recently acquired several million in a settlement and they don't know what to do. Ashley wants to give this family member some help, some guidance. Where should they go first, what information is important for them to get right? To go and you know, she says get right of the bat or get off on maybe she means like get off on the right foot.

I think that I can only say, I can only imagine what I would do in this case, I'd love to hear Annie what you would do but I think that it's important to do nothing for a little bit of time because I think that – winning the lottery, winning millions of dollars in a settlement, getting a huge bonus that maybe you aren't expecting at work.

At first, you're really excited, there's a lot of adrenaline at play and I think that studies show that – science shows that when we kind of make decisions in that timeframe, in that moment of the dopamine level like surging in our brain that that can often lead to irrational moves. It's no coincidence that during usually these periods of time when people, other people discover that say you got a big lottery win or a big settlement win.

People start arriving at your doorstep, you know? Hey, do you want to invest in this annuity? Hey, let's work together and you need this and you need that and I think there's a lot of overwhelm that can come from external factors than having you try to believe what the right steps should be. I think there's a lot in just pausing for a little bit and thinking about what is it that we want to accomplish with this money?

How do we want to put this money to work, what do we want this money to ultimately signify, how do we want to maybe help ourselves and others with this money? I think that is a worthwhile exercise and in the meantime, you know, talking to other people about who to trust and who to work with.

If you have friends who work with financial planners that they have been working with for a while and really trust them, take a meeting with them, there's no harm in that. But I think that is really just about baby steps here, what do you think, Annie?

[0:10:33.0]

AL: Yeah, I agree. 100%. I was going to say, the first thing I was going to say is just take a pause. Just take a pause and there's no rush to do anything, I would say, if you could put it somewhere, the money in the safe place, maybe a high yield savings account. Just for a couple of months while you're doing your research about where this, it needs to go.

There's no rush in – all these people showing up at your door, you should invest here, you should – there's no rush in moving that money. Just put it somewhere safe, take a pause, take a few breaths and I think the first thing that I would want to know are the tax implications because you'd want to put that money off to the side so that when you have to pay the taxes on this

windfall, you had that available to you. Those would be the first things I'd want to do is put the money somewhere safe.

Where I can park it. Pause and do my research, find out the tax implications and then after that, I would really – you know, we don't have enough information here and the question to know their complete financial picture but after that, I would be looking at stuff like debt that could get paid off, the cash flow situation.

How far are they from retirement, what are they needing to do? Those are kind of all that maybe the dry, less exciting pieces. I would say that it would be okay to take a piece of it, a small piece, a reasonable piece and give yourself a little treat. I'm a big fan of treats and I think it's nice to do that but the treat doesn't have to be a yacht, right? It could be a weekend away.

[0:12:05.4]

FT: Right, an experience, yeah, don't buy things, right away, buy experiences, they actually can lead to happiness. You're 100% right. You know, I think Annie, it's important to – if you do want to kind of create a hierarchy of things to address with this money. First would be the debt that you have.

Second, you know, making sure that if you don't have enough for retirement saved, if you don't have an emergency cushion, this is where you're also allocating some of this money to play some catch up. Then, from there, you know, it's really – what else we want to accomplish, what are our goals, we want to buy the home, we want to start a foundation, do we want to start a business.

That's a good problem to have but I think that it gets easier to answer and a little bit more clarity arrives when you do spend that time really thinking through things and not feeling rushed and part of that is not perhaps casting too wide of a net for people to weigh in.

Too many cooks in the kitchen about what to do with this money can lead to some disaster.

[0:13:10.8]

AL: Yeah, it's amazing how many people show up when there's money involved in how they want to help you with it.

[0:13:17.6]

FT: Yeah, but Ashley, keep us posted, this is fun. I like answering these kinds of questions. It's nice to – a girl can dream. All right Yoko on Instagram is using a program like an automated investment platform to manage personal investing portfolio. Yoko has about \$20,000 in there that she doesn't expect to need any time soon. She has a separate savings account and doesn't have any major planned expenses coming up. However, Yoko says, I'm becoming more interested in socially responsible investing and this current investment platform that she is using doesn't offer socially responsible investing focus portfolios.

So, she's thinking of transferring her money and using a service that does. What do we think? How can she do this without minimizing losses or other headaches. Well, I think that the reality is if you're going to be moving assets from one portfolio to another, to a whole new platform and by the way, a portfolio that is going to be comprised of many different kinds of assets, it's going to look differently, it's not like apples to apples.

The reality is you're going to probably have to sell and then buy these new assets with this money, if you're planning on just making a transfer. Here's what I think about this also. Annie, happy to hear your thoughts on this too.

You know, socially responsible investing is really great and I'm really happy that there are more platforms like Wealth Simple, Betterment, that offer these kinds of portfolios to think that it's really feeding the mindset, the wish list of the current young investors especially who want to make an impact with investing.

I think that it should be an aspect of your portfolio, I don't know if it's really like, you want all your investments maybe to be in this sort of category. I think that it's important to always diversify. If you can get a socially responsible investing portfolio that you feel is really diversified across asset classes, across size, you know, fund sizes. Macro, micro, small cap.

I think that that's great but if you find that your SRI portfolio is really specific then I wouldn't put all your eggs in that basket. I want to make sure that at the end of the day, what you're doing is you're being a prudent investor, right?

That you're investing across a diversified portfolio. Perhaps, it's that you keep some of this money that you have already with your current investment platform because maybe there, you're investing in just in a traditional index fund, ETF's and that you take maybe 10% of that and you put it in an SRI portfolio.

You know, it's still considered to be sort of an SRI and other kinds of alternative investments, they're alternative so for that reason, you don't want to put maybe all your eggs in that basket, maybe it's like 10%, 5%. But if you do want to make this big shift and do all the 20,000 into this new SRI portfolio then the reality is you're probably going to lose some money.

Just because that's what you have to sell and then buy. I think to make it a little bit streamlined for yourself, working with somebody at the new platform that you're going to use, whether that's Wealth Simple like you mentioned or Betterment. To help you migrate these assets over because yeah, maybe they're already some accounts that you're investing in that do qualify as a socially responsible investment that are offered at these other places and it would just be an apple to apples trade.

Perhaps a more cost efficient trade. But that's my two cents, what do you think, Annie?

[0:17:31.5]

AL: I agree with what you're saying about maybe staying a little bit more diversified. I think there's another part of looking at socially responsible investing that is important because a company might have a portfolio that is an SRI portfolio but researching what's in that is important because not – there aren't really clear standards on what is socially responsible.

There are some major groups like, they look at the environmental impact, the social impact and the corporate governance, those are the three primary things that are looked at in this SRIs. But

there aren't really strict standards about that. It's easy to say, okay, I'm going to move my money to an SRI.

Assuming that all of the companies that are in that truly fit what you consider socially responsible as supposed to it, somebody else considers social responsible and there have been some occasions where other companies have snuck into these portfolios that maybe don't meet the criteria as they should.

So I think there are two major things that people are considering when they're looking at investing in SRI and that is one, the social impact and then two a hopeful financial gain and they can be mutually exclusive. So I think it's really important to just say to research what portfolio you are going into and does it focus on what you want to be focused on.

Or is it better to go to a company that has a variety of portfolios where you could maybe pick one that is more focused on human rights or one that's more focused on the environment or one that's more focused on consumer protection for example. So I would say to me, there's a little bit more research that I would want to do before I think that my money is working in the way I wanted to. I think how we spend our money is a very, very powerful way to effectuate change.

I would just want to make sure that there is enough research to know that I was doing it the way I wanted to.

[0:19:40.0]

FT: That's a really great point, yeah. So I think that our takeaway here is just continue to do more research and if you do land with a place like Wealth Simple to truly understand the types of investments that go into their SRI portfolios and like you mentioned Annie, there's not a standard necessarily, one standard for how SRIs are created. They are created all very differently and so depending on what your goals are, Yoko.

If you're really interested in companies that are making an environmental impact, a social impact, you know there are different portfolios and there are different assets that would match that. So just make sure that you really are well aware of what you are getting yourself into and

where you are putting your money and again, just like we said to Ashley, don't rush into this. You know make this be really something that is thoughtful and well thought out.

So good luck to you. Ally Alf on Instagram is asking about retirement and how much is enough to have her month in retirement. This is the golden question, everybody wants to, if I had an answer for this I think I could just retire on that answer. I would just sell that answer to everybody and it would be my secret answer. She will have a pension when she retires from the California School System, she's a teacher.

And from there, she'll be bringing in about \$3,900 per month and so what like, almost \$48,000 a year. Her husband, also a teacher, would be bringing in that much too. So collectively \$80,000. Is that enough? How much should I contribute to my Roth to make retirement comfortable and fun? Well let's also remember that you have social security that you'll probably be collecting and I don't know what that will be but you can actually go to the social security website.

And figure out what your estimated payout will be depending on when you want to collect it, right? So the longer you wait to collect social security, which is 70 years old is the latest that you can is the age at which social security maxes out for you. You can go to the ssa.gov website and they will give you the estimate. There might be a few thousand dollars there per person, which could effectively almost double what your expected retirement amount here is.

So I think that there needs to be a little bit more math here to be done. One is figuring out what your social security payout will be but really it is about also knowing estimate and to the best of your ability right? Figuring out what your cost will be when you retire. Will you still have your mortgage? Hopefully not. Will you be downsizing? What are some cost that you are going to eliminate and also what are some costs you are going to tack on?

Maybe there are additional health care cost that you will have to anticipate. You know the general rule of thumb Annie, I don't know if you have heard of this before is like, conservatively planning to have about 80% of your current expenses in retirement is a good target and so the good news is you won't be spending hopefully as much as you are now in retirement because you don't have the mortgage.

You won't have the car payments, you won't have the child care payments and the college payments, all of that but you still have to pay for a significant amount of what you're currently paying unless you downsize considerably. So 80% is the general rule of thumb. So maybe if it is a quick math, I would take what you're spending currently annually on all the things, multiply that by point eight, divide that by 12 that's your monthly expense and then see where you're two pensions and social security measure up to that.

And if there is a gap, that's what you should be contributing to the Roth IRA but that's really quick math. I would not take that as the final answer. I think you should be –

[0:23:49.5]

AL: Yeah.

[0:23:50.5]

FT: You know there are lots of robust calculators out there because it also has to take into account your tax code and all the things. So go to a place like AARP has great calculators, choosetosave.org has a really robust calculator. Bank Rate has calculators, Nerd Wallet has a retirement calculator. I would just play around with these online tools and see where you land and that can probably give you a better sense of where to –

How to dial up the Roth IRA contributions. What do you think, Annie? How are you going about retirement planning these days?

[0:24:27.6]

AL: Well, first of all I just have to say I love any question where people are worried about their retirement or thinking it. I shouldn't say worried but thinking about retirement. It is something I didn't do until later in life and so I am in a little bit of a catch up mode and that is one thing I really encourage people to do is start early and we don't know how old. I am not sure how old this person asking the question is.

But good for you for thinking about it and I think what you touched on Farnoosh is you've got to work backwards from your lifestyle. The cost of your lifestyle, what do you want to be doing, what do you want it to look like, do you expect to travel a lot? That is going to be different than somebody that doesn't plan on travelling a lot and you got health insurance and any other cost that might be coming up that we wouldn't necessarily know about from the question.

But I think if you work backwards you're in a great position having these pensions that are coming in. So already, you are in this great position and then adding onto that what you're wanting to do. You said you want your retirement to be comfortable and fun and so whatever that cost of that fun and that comfort is, is going to dictate how much you are going to need and also lifestyle horizon or longevity horizon.

You know, what your age is, what your health outlook is, these are all important considerations and so yeah, what you said Farnoosh is almost impossible to answer specifically but work backwards and also when do you want to retire. That is an important part. What's the span of time from the date you retire to and expected life expectancy that you know, that's a guess I understand but yeah, it's a hard question to answer but good for you for thinking about it now.

[0:26:16.3]

FT: It is the number one question on this show. Retirement related questions exceed any other kind of question, which is really great to know. Their head is in the right place and you know, I would also say Ally Alf that to Annie's point, part of this plan maybe to continue working at least part time and that is going to be really helpful as you bring in more income because there are a lot of unknowns in retirement.

There is a lot of unknowns related to taxes, related to health care costs and frankly, I think that these days we are living longer, our mental capacity and health is good generally and if we are in the older stage of life working, working with people, staying engaged, it's all good. It's all really good for you and if that is something that you are interested in, I do know a lot of teachers who retire into things like tutoring and consulting.

Starting their own little websites online workshops, they will tutor online, tutor in person, so still potential for you to continue working and yeah, so checkout those websites. I will just repeat them here so that you don't have to go back in time but it's choosetosave.org, AARP.com or dot org, I think they go by both and then Nerd Wallet, Bank Rate also good calculators, to learn what your social security payout is going to be, go ssa.gov okay?

All right, now last question here from Robert, also one of my favorite questions to tackle regards to credit, how to repair my credit? "Should I focus on first paying down my credit card debt or the taxes that I owe to the IRS?" Well, I'm not really sure how – I mean I do know that you don't pay your credit card bill or when you have a balance that does go to your credit and that does really hurt your credit score potentially.

Owing money to the IRS, probably eventually does appear on your credit report and it probably does impact your credit to some degree. I don't know comparatively how much or how much less than a credit card delinquency for example but I just will say this, I would never want to be indebted to the IRS, you know? That is just one thing that for me I would lose sleep over because the IRS when you owe taxes, they are unapologetic.

Credit card companies aren't very nice either when you owe them money but the IRS I believe they can garnish your wages. It is going to get pretty hostile pretty quickly and I think that having that stain on your records is not good either. So assuming that you want to repair your credit here because you have goals down the road that you want to achieve, right? Maybe taking on a loan to start a business, buy a house, buy a car, it will matter what your history is with the IRS as well as credit cards.

So I think I would prioritize the IRS payment not to say that you are not paying down the credit card but to the extent that you can really fast forward or accelerate your payments to the IRS I would because also that is collecting interests too. The longer it takes you to pay that down, the more expensive it will be overtime. I don't know, what do you think, Annie? I get worried when I owe any money with the IRS.

[0:30:00.7]

AL: Yeah, I agree with you. However the IRS can be very workable. They tend to not be workable if you are ignoring them. If you approach it head on and call the IRS and set up an installment agreement, they will set up an installment agreement and when you are doing that and paying on time with installment agreement, it does not impact your credit. So I would get that set up right away if you haven't already.

You could go, I believe you could go up to 10 years with an installment agreement with them and there will be interest and whatnot but once you set that up with them, then at least that is not on fire and it is not keeping you up at night and it is getting paid. Okay, so that is one aspect. I definitely would not want to owe the IRS without addressing it. I would definitely want to address it right away.

The credit card debt, I have some feeling about debt. This is more of kind of my Brainy Boss time management lifestyle desire is that debt, I think more than any other financial situation takes up mental real estate that takes, that seals moments from our lives. I think that debt can be very debilitating for anxiety, for sleep. I think that even depending on how much debt you have, it can be distracting from your relationships, from work, from whatever you're doing.

So I am a big fan of getting rid of debt ASAP. Now you have debt to the IRS too. So they're both debts but I would say you want to be paying off your credit card debt, your highest interest rates first as fast as possible while meeting your installment agreements with the IRS. So that is what I would do. I would come put in an installment agreement and that's going to be a certain amount and then whatever else, whatever other financial resources you have to pay down to debt.

I would pay down your highest interest rate cards first very aggressively. I know your questions is about repairing credit but I see this as debt issue rather than a credit issue. The credit will take care of yourself when you are paying down the debt and I see that the being in credit card as the bigger issue here rather than the credit.

[0:32:21.3]

FT: I agree. I think that gave me pause with this question. I felt like the intention was not complete, you know? Yes, repairing your credit is a great goal but there is a bigger issue at hand here, which is the debt and sort of getting over this hump because what that will ultimately mean for you is a stress free life and not being beholden to all of these communication. The IRS is also a beast. Yeah you can get on a payment plan.

But the operative word here is soon. Please do it soon and do it. If you can find a way to directly communicate with the IRS, let me know because I hate communicating with the IRS. It is not really linear like you have to send in mail. There is not really a phone number, you know it's just a little antiquated I think in the way that they have set up and perhaps intentionally I don't know because I think they'd be getting a lot of phone calls.

But I think that the earlier you can tackle this IRS debt, the better. Get on a payment plan and then you can also get on a payment plan with your credit card debt. I would also consider working with an advocate, a credit advocate. You know there's a resource I love to recommend on the show and it's called the National Foundation for Credit Counseling, nfcc.org. This is an organization, it's a non-profit organization.

It's all over the country. They have offices, clinics and there you can go and get an appointment with a certified credit expert, credit – what do you call it? I guess they are credit –

[0:34:06.8]

AL: Yeah, I know what you are talking about but I can't think –

[0:34:09.7]

FT: There is a clinical term for this but they are your advocates and the first meeting is free and they will basically assess your debt situation as well as your income and your budgeting and all of that and will come up with a plan for you and especially with credit card debt, I think they can be very, very helpful and if it is a lot and the interest rates are really high on these cards, working with your credit card companies to either eliminate the interest rates for a period of time.

So that you can get – make bigger payments towards this debt. They are not a credit consolidation company. I love them because they don't – it is not get out of debt overnight promise. It is more like, "We're going to work with you with a plan overtime to help you get out of debt as painlessly as possible" but it is not quick promise and for that, they do some really good hard work for you.

But yeah Robert, good luck and again, let us know how things progress. If you have questions along the way and everybody, thanks for all these questions. These all came through Instagram, believe it or not. It's like the number one way people are getting in touch with me and I love it because it is super-fast, super direct and I don't know Annie, are you on Instagram? Can we follow you there as well?

[0:35:31.8]

AL: Yes, I am @abrainyboss on Instagram. Come over and follow me and I'd love to hear from everybody.

[0:35:38.7]

FT: I love it. Can people send you questions there?

[0:35:41.5]

AL: Yes, you can send me questions there. You can also email me directly at annie@brainyboss.co if you prefer and I love answering questions. I do answer my email directly and happy to help anybody that's got some help that they could use on small business.

[0:35:58.6]

FT: I love it. All right Annie, thank you so much. Annie LaCroix, Brainy Boss, I am following you now on Instagram @abrainyboss, have a great weekend and everybody listening, thanks for tuning in and I hope your weekend is So Money.

[END]