EPISODE 917

[ASK FARNOOSH]

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FT: Happy Friday, Everybody welcome back to so money. It's Farnoosh, and this is Ask Farnoosh, July 26, 2019. Tomorrow's the day, everybody. Tomorrow is the day I pack up my car with my kids and we drive the longest we've ever driven as a family, about five hours to — close to Martha's Vineyard. And then we're gonna stay overnight and then grab the ferry the next day.

I'm a little worried, although I feel like I'm coming prepared. I went to Target this week and got a lot of snacks. Got a lot of, you know, toys packed, books packed. Yes, the iPad is packed, two of them cause that would also be a problem between two kids. When iPad. Recipe for disaster. You may you rolling your eyes at me. But this is modern day parenting. Okay, long trip to kids, five into and every other minute would otherwise be a question of, "Are we there yet?" Some things just don't change now.

I've been trying to prepare for my week off, you know, work wise. And I decided to, you know, stop trying to overdo things. So here's what I'm gonna do. Over the next two weeks, you're going to hear replays on So Money. I know, I know, I know. But I'm okay with it. And I think you should be, too. I have over 900 episodes, right? And so it's time to just bring some back out from the archives and replay some of the classic some of the best hits, some of my favorite.

So we're gonna hear again from people like Vicki Robin, who's the author of *Your Money or Your Life*. We're gonna hear from Kari Skogland in the next two weeks. Who was on the show previously. She is a director who has worked on such hits as *The Walking Dead*, *Handmaid's Tale*.

By the way, anyone watch *Handmaid's Tale*, raise your hand. I'm raising my hand. Oh, my gosh, What a season, Right, right? Maybe we should all hold just like I don't know after show episode on that completely unrelated to money. But ah, such such a great show. Doctors Renee and Nii Darko gonna have them back on. Not back on, but replaying that episode.

This is a couple a merry couple. Both doctors and both also have their MBA's. And so combined they had over $600,000 in debt. Student loans mostly, And I said had because they have overcome that. How they did it is an incredible triumph, and their story is just so inspiring. And now they've have their own podcast and they're helping others with their financial pursuits.

And then also wanted to replay my episode with the lovely Barbara Corcoran, a friend and someone who also, I believe, has a podcast. In addition to her other millions of projects. Shark Tank, running a business books, et cetera. So looking forward to replaying these episodes, I hope you'll stick with the show. I hope that if you're new to the show, these come back episodes will will be helpful for you as you're navigating. Kind of like where to start and what episodes to pick up on. These are some of my favorites.

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All right, we're gonna head over to Instagram. OK, lots of really good questions that most recently came in through Instagram. And I actually just had a back and forth with one follower. Her name is, we'll call her M, to keep her a little anonymous, but she and I actually just had a lengthy conversation, direct message conversation on instagram.

That's right, folks. You can reach me on instagram sometimes. You know, in the middle of the day I checked my direct messages and if I'm inspired, if I have time, if I feel like I got a good answer for you, I might answer you on the spot. Doesn't always happen. But do know that I see every question that I usually go there first. As I look for questions for the show, I thought this is a a good question for all of us to weigh in on, on here, even though I did answer her through director message one on one, I want to use it for the episode.

I want to start with this because I surprised myself with how I answered this. I thought I was gonna go in with a little bit more conservative advice and I decided, no, you know, I want to tell her to go for the juggernaut. So here we go. M is in college and she says, "I have a question for you concerning career growth. I feel you are a career oriented woman with lots of experience, and you may be able to help me with a problem I'm having."

Well, I do have a lot of career experience, both working for company companies and working for myself. So, yeah, hit me up. What's going on? So she says, "I currently have two incredible internship offers on the table. So not exactly between a rock and a hard place to incredible internships," right? So it's like between, you know, unicorns and rainbows.

"But there is a bit of a catch. So one of the internships is for Disney streaming service is where I would get to work as an enterprise portfolio management intern, working directly with leadership to launch Disney Plus this fall. This seems like an incredible opportunity, but the pay is pretty low, considering it's in San Francisco. It pays $25 an hour." So she says, "I would have to use a huge chunk of my savings to supplement the income. I'm currently doing a project management internship in New York for The New York Times and thinking of how much money I spent coming here. Plus, the money it would take to move to the West Coast."

:It stresses me out." She says, "I also have a return offer for a brand marketing internship at MaleChimp paying more, $32 an hour. Plus, I could live with my parents there so I could replenish what I lost living in New York. I think I'm just at a loss of what to do. I can't tell of going to Disney is actually an investment in my career or if only get the experience in leadership roles early on, could make it harder to get an entry level roll when I graduate in May."

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So I asked her a question, a follow up question. I said, "What would happen if you took the Disney job? Would you sink into credit card debt or just require taking money out of savings?" She says, it would just kind of impact for savings, and she's trying to keep her credit card out of the situation is best that she can.

And then I said, "Are are the jobs that you want out of college more in line with the Disney experience?" And she says she's not sure, but she's definitely interested in brand marketing for creative reasons. And she thinks that ultimately she'd like to be in leadership and working with an enterprise team to help manage the company project and so she thinks this this experience is going to give her a lot of great experience and skills for that down the road.

She says that the internship with Disney stars that's on September 3rd, so really close to close to that and leaving New York City August 8. So the turnaround would have to be really quick. And so I'm hearing her, and I'm thinking, Yeah, you know doesn't pay as much, San Francisco, that is the opportunity financially seems less appealing, but it's not like it's going to put her into debt.

And I said, I thought, you know, she has done the good job of saving her money, and I know that that it's a little hard to think about using that money because you just want to see your savings grow or you want it to be there for you in case of an emergency, and this isn't really seem like an emergency. So I said to her, "If your savings can actually help you afford this move that seems to have a lot of benefits than I think you should go for it." But I said, "Ask Disney if they could help to pay for the relocation. Maybe help me find affordable housing." I do think this seems like the better opportunity."

The MailChimp job, I think — I could hear it, you know, like in her voice. It wasn't that exciting and it's a good, safe job. She could live with her parents and save some money. But I also think that where she is in her life stage, this is the time to really get out of your comfort zone. Try new things and, you know, invest in your network, invest in your skill set, and I think the Disney job is going to give her more access to those things.

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And I said, "This is the time in your life to be investing in your network in your growth and your experiences. And again, it's not going to be putting you in debt. And she said, "Okay," exclamation point. "You're right." And she said, "You know what? Disney might actually offer a stipend or something. I just have to ask the recruiter." And she said, "I think the opportunity does sound great. And it is just hard to go from being super focused on personal finances to spending money moving around these past few months."

As she says, "I feel like sometimes my goals are at odds with each other. But thank you. I feel like I needed to hear that it's okay to spend money on experience and growth." You bet it is. It is great to spend money on it, experiencing growth. But you still want to be smart about it, right? You don't wanna bet the farm you don't want to kick out credit cards to experience growth and build your network. You want to do it, conservatively, having, you know, a move to San Francisco is very expensive, and it's not gonna be the best pay, given, you know, the cost of living there.

But I do think there's a great return on investment. Now it's up to her. It's up to you, M, that when you get to Disney, you make the most of it. You meet everybody, you take names, right? I want to get back to college with a nice golden Rolodex so that when you go to apply for a job as you graduate, that you're going to get a sweet job with a sweet offer. And it's thanks to this Disney internship. So good luck to you Me. I love that we were able to work this out. We did it Virtually were like minutes. So love that Instagram. Follow me at @farnooshtorabi, if you aren't.

Okay, next up is sammy87. "Hey Farnoosh, thanks so much for answering my first question." Yes, Sammy and I go way back. She had a question back in April about how to maximize tax deductions. So I'm glad that was helpful to you and coming back for seconds. That's okay. Come back as often as you want. That's what I'm here for.

She says. I" have another question for you. My husband recently became a freelancer and we're planning to start a solo 401(k) for him through Vanguard. He's almost 34 and needs to catch up on retirement. Would you recommend transferring some money from our house savings fund to his solo 401(k) so that it can grow with the market? We do not plan to buy anything in the next two years, so the house fund is just sitting in an online savings account. We know we'll be able to replace that money before you begin to look into real estate. I would really appreciate your feedback."

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All right, Sammy. Great question. I'm happy to hear that your husband is moving on with his freelancing and that you're trying to get set up with the benefits. It's hard right when you're self employed to do it all on your own, essentially, you have to DIY Your retirement benefits. So just quickly a solo 401(k) if anyone's wondering about it, also known as a self employed 401(k) or individual 401(k), it's basically a 401(k) — like, you know, if you had one at work, you're familiar with this. It's a retirement plan and contributions are tax deductible.

And it was designed specifically for business owners with no full time employees other than themselves. So in this case, her husband is the sole full time employees. You know, Sammy, I think that I'm hearing how your husband needs to play some catch up. So it is important to prioritize this retirement fund.

I think it's good to put more than the average into this solo — I want to keep calling it a solo 401(k) solo 1(k). Solo 401(k). And you didn't answer one of my questions, which was that if you take money out of the savings for your home, your future home, would that derail your plans to buy a home? And it sounds like it wouldn't, because you're gonna give yourself time anyway to buy that house.

And in those two years, we'll be able to recoup. So, yeah, I think that it is a great idea, as we know the earlier you get started with retirement savings, the better off you'll be. Thanks to compound interest and with self employment, you just don't know how it's gonna go every year, right? You might have a boom year and other years might be flat. Other years might be negative. So if you have an opportunity to up level your retirement savings today, I would do that for 2019. The contribution limit actually went up a little bit to $56,000 or 62,000 If you're 50 or over.

Okay. Next. Jared is entering his freshman year of college and starting to think about being responsible with his own money. "What financial advice would you give your 18 to 20 year old self?" Wow, Jared. Congrats, College. It's happening very excited for you. Well, I would say that if I were to turn back time going a time machine, go back to college, 18 years old, I would Penn State, freshman year. That was a overwhelming time for me.

I have to admit, I didn't do that well in school, the first and second semester, I partied too much, slept in too much. I got I think I just lost my way. I was so regimented and scheduled in high school that I kind of got to college and I kind of had to learn the hard way, you know, But it was probably good for me, you know, looking back, I don't regret it, but I certainly was struggling while I was trying to, you know, get those grades up second year.

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That's not gonna happen to you. That is not what this is about. This is about how you're going to be super successful in college. And I think one of the keys to that is being really mindful of your circle of friends. I'm telling you this, Jared. I had great friends in college. They're still my best friends. And they were not just fun people to be around, I really learned from them. We supported each other, we didn't judge each other. And we all came from different financial backgrounds. Some of us were wealthier than others.

Some of us had parent will support. Some of us were, you know, on student loans. And were nickle and diming. And so it's really important that you are ultimately with friends who empathize and support your choices when it comes to how you want to spend it. How you want to save, because in college you're gonna be pressured a lot to go out and have fun and you should have fun and you should socialize.

But if you don't want to spend money on something if you don't want to go out if you don't wanna, you know, order the expensive fill in the blank when you're out with your friends, you should hopefully be in a group where you feel comfortable to say, "Hey, guys, I'm gonna skip out on this," or, "I'll meet you after the party," or, "I'll meet you for breakfast." That you can still do you while still having a close group of friends. You wanna just get your side salad? Whatever. Like that is important.

You need to find your people so that you can do you. And that's the first tip. The second tip is, once you get your groove in school, not the first year so much, but probably by year two. You're feeling like you've got a handle on things. Maybe you're a quick adjuster again. I I had a bad adjustment to college. Getting a job, okay, could be a great way to start getting some savings in the bank.

And, you know, they're on campus there are so many job opportunities off campus too Eventually I did get some jobs in college. I thought that that was a great way for me to make money, but also get riel work experience. You know, summers were great for internships, but during the year two, you know, waitressing, working at the school paper. I worked on the business side, so I was an account executive.

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That was incredible. I got to make commission when I sold advertisements for the newspaper and so much involved in that, right? Learning how to sell in college was invaluable to, I would say so all of my rest of my career. If you can get some experience selling something, I would do it. You learn a lot about yourself, and you develop skills that are just, again, invaluable.

And lastly, one thing that I If I could go back in time and teach myself this early on, I would track your spending. Track, track, track your spending. I made the big mistake of using my ATM receipt as my financial planner. I would get the receipt and it would say you have $119 I'd go and I'd spend $119. But I didn't realize because the ATM isn't updated in real time or doesn't tell you the future that there were some deductions that were on their way that hadn't hit my bank account yet. So actually, I had less than $119.

I would have more like $50. And so I came home one day and opened up my bank account, and it said that I had negative, you know, $200 in there because of all of the over withdrawal fees. Yep, all seven of them, in succession. I was proud of myself for calling up my bank, my credit union at the time and asking them to eliminate those fees because that was really just one mistake and I was getting hit seven times.

It was one thing that I didn't know, which was that I didn't have the money that I thought was in there. And, of course, over the course of the afternoon I was swiping and swiping and swiping and yeah, I don't know why I was wiping so many times. That was the other, you know, maybe mistake that I was making, but I was not really that informed about my financial reality and so checking in with your bank regularly if you want to download something like a Mint, I think that's great. Kind of gives you a quick overview snapshot of where you are financially. What's in your bank account, what your credit cards balances you have, et cetera.

I would also say, if you're gonna if you're gonna have any student loans going into college, just be smart about them. Know what the balance is gonna be before you graduate. Know what the terms are so you can make a more informed decision when you graduate as far as, you know the job to take and how to budget and all of the things. Because if it's gonna be a lot, then you know you're gonna have to make some some choices when you graduate to pay down that debt.

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That's a whole other episode I've got. I've done a lot of episodes on debt, student debt, but probably will do a lot more. It's not going away. So good luck to you, Jared. Thanks for your question.

Ah, college. The beginning of the rest of your life. It's gonna be good, Jared. Okay, more questions on Instagram. This is from Sean, he says, "My wife and I recently refinanced into a 30 year mortgage at three and 3/4 of a percent." That's really good, by the way. That's great actually. You know, I can I just pause for a second. Interest rates are going south. Where are we in the economy.

You know, this time last year, all it was we were talking about was how interest rates were gonna go up. The Fed was going to raise rates, and that was a little bit of a precautionary, you know, time because we're thinking oh if rates go up, housing is gonna go down. That's kind of generally what happens. Rates go up, the price of housing goes down. This is incredible. 3.75%. Wow. Kudos to you and your wife.

Anyway, I digress. He says, "We're thinking about making 1/13 payment to pay it down faster. The monthly payment is $2000. Is that the smartest thing to do with $2000 every year? Or would it be more beneficial to put it into an IRA or a 529 plan as we start a family in the near future?" He says. "We've already got a 401(k) set up. The emergency fund is established. We do have plenty of student loans at about 5% interest."

Okay, so I would zone in on the student loans. Their interest rate is more than your mortgage interest rate, so that is where your money is going to go and work harder for you to pay that off. I think would not only be better from a calculation standpoint, it's kind of technically, your most expensive debt. But it's also debt, right? So if you can get the debt out of the way, could that also take a weight off your shoulders? Could you sleep better at night?

These were things were thinking about. Your financial happiness doesn't just come down to how much money's in your bank, but how you are managing your money, making you feel. So if paying down your student loans would make you feel better than paying down your mortgage because it's, you know, kind of a more expensive bit of debt than I think that's where you start with that extra $2000 payment. Very important to anyone listening, they want to pay down debt and you want to put extra payments towards the debt. Make sure that it's going all to the principal, not principal plus interest. That if it's going out to the principal, it's knocking down that debt far more aggressively.

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Then I say once a student loans are out of the picture at, you might want to go to the 529 plan because you've got the 401(k) set up. If you're If you're rocking and rolling as far as retirement savings goes, maybe it is college savings that could use a little bit of a boost. Given that we don't know exactly how expensive college is going to be in the future, I'm gonna guess it's gonna cost more.

I am hopeful that whoever's elected in the future will do a great job of repairing our current student loan crisis and doing what they can to make college more affordable. But in the meantime, saving more into 529 plan can't hurt, and there's been a new rule change with the 529s, where you can actually now use the money in the 529, not just for college but for any qualifying education expense.

And that could be, you know, private school for your kids as they're going through elementary school, middle school. So the smartest thing, to use your words, with this $2000 would be probably to go where the highest interest debt is. That's your student loans. And then, secondly, where your biggest savings need is and that might be college. And then I would say, your mortgage.

Now you know that 13th payment a year can go a very long way if any of you ever read David Bach's book, *Automatic Millionaire*. It's essentially all about finding savings in your day to day to put towards a 13 payment on your mortgage, because what that can effectively do is knock down the debt, knock down the term and save you tons and interest. And if you actually saved that money that you were saving in interest in all the things and you actually gonna pay off your mortgage sooner, you could graduate a millionaire. That's David's theory. I tend to agree with it, and David's been on the show a lot, so just look up any of his episodes and we usually talk about that. That's my quick math for you, Shawn.

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Festivities 3. Cool Instagram. You actually reached out earlier, back in April and said that you just wanted to let me know that since listening to the show, your wife was able to renegotiate her raise from 2% to over 14% and that you were able to bump your credit score higher and that you've refinanced your student loans. Best of luck with their pop up, you said. Yeah, I was in the thick of Stacks House back in April and we are working on our next cities, but thank you so much. And it's so nice to know that the show's making an impact in that I've got fans in Pittsburgh, familiar with Pittsburgh, you know, lived in Pennsylvania. Husband's from Pennsylvania went to Penn State. Good friend lives in Pittsburgh. Great cost of living, you guys have there in Pittsburgh. I wish it was closer to New York. Thanks, Sean.

All right Noore has a question, or rather, a suggestion for me. And by the way, Noore I love your name. It's so beautiful. It means light in Farsi. I think you knew that. She's a big fan of the podcast, she says, And she's an OBGYN and says, "Would love it if you could feature more doctors on the podcast." She said that she listened to Bonnie Koo's episode. Bonnie Koo is a doctor who has really become a leader in financial education for doctors.

And she says, "I would love some advice on how to manage my finances as an OBGYN with tons of student debt." A lot of the episodes that I've done have been with married doctors. She's single. So wondering if you know, maybe I can shake it up a little bit and have some different kinds of people on the show. She says, "We really get taught nothing in medical school." Well, you hopefully get taught something right cause you spend so many years in school, so much money. I know it's it's a very unique, right to be in your shoes.

A lot of doctors, we respect them, right, because they go through so many years of school and it's such a hard profession and it's such a dedicated profession, and how do we reward them? We give them hundreds of thousands of dollars in student loan debt. And, you know, hopefully, over the course of your career, you'll make lots of money and it won't be such a burden. But when you're first out, it's a lot. It's a big sticker shock, and I do.

I have had a lot of doctors, not a lot. But I've had a number of doctors on this show where we have talked specifically about this. So there was Bonnie Koo. I would also suggest that you check out doctors Renee and Nii Darko. I'm actually gonna re-air them in a couple of weeks. These two individuals, married couple, both doctors also both got their MBA's.

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So you do the math over $600,000 in student loan debt and they got out of that, which is heroic. I mean, that is just heroic, and we talk about the exact steps that they took. We also had on the show Dr Peter Kim, who was, or is an anesthesiologist and a real estate and passive income professional. So he runs passiveincomemd.com and to get over the hump of his debt as an anesthesiologist, he had many, many, many loans.

He started to explore real estate as a side hustle, and then that ultimately became just basically a part time business. And I don't remember if he's still practicing. But now he runs the real estate company Curbside Real Estate as well. And he specifically helps educate doctors physicians about the home buying process. So if you're interested in building your wealth through real estate, Dr Peter Kim is your guy. Thanks for connecting with me, Noore.

And I'm gonna think about you now. As I look to book more guests I am going to look specifically for physicians who are single who are grappling with student loan debt. See if we can help you out some more. Thank you.

All right, my friends wish me luck. Vacation summer 2019 begins in t-minus 24 hours and I will be gramming a lot, maybe, to the chagrin of my family. But I want to, you know, stay in touch while I'm away with you. Please continue to send me your questions.

Let me know what's on your money mind. I'm also still looking for co-hosts, you know, as we get into the fall things are gonna get busy if you want to, you know, share the mic with me because you just you love the show or you want to give us some of your insights about money and how to money, you can let me know through Instagram You can also go on somoneypodcast.com and click on, Ask Farnoosh and drop me a note there.

Thanks for tuning in everybody, happy weekend. And I hope your weekend is So Money.

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