

**EPISODE 935**

[ASK FARNOOSH]

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**FT:** Welcome to So Money, everybody. I'm your host, Farnoosh Torabi. It's Ask Farnoosh Friday. It's 401(k) day. Did you know this? Did you know there's a day dedicated to workplace retirement plans? Yeah, national 401(k) day is observed Friday, September 6<sup>th</sup>. It's been observed the first Friday after Labor Day since 1996. A lot of articles about this; I know because everyone's been calling me for comment and you know how I feel about 401(k)s, right? If you've got one at work, especially if it comes with a match, invest, invest ASAP. Take advantage of that match.

I remember my first 401(k) was in – back in I don't know, 2003. I opened up my first 401(k) at a job that was paying me very little. When they said, "Oh, we have this 401(k) and you can contribute out of every paycheck for your retirement," I almost fell out of my chair laughing, because I was like, "You know how much you pay me, right? It's not much left at the end of the month for a 401(k) contribution."

Our HR manager Mary, in one of our early meetings she was like, "Well, listen. We do a match here for every dollar, we put in a dollar up to, I think it was 5% or 6%. Do that. Then the beauty is you can always adjust your contributions. It's not set in stone for the rest of your life. If you're having a good year, a bad year, a good month, a bad month, you can always come in here. Let me know when you want to adjust your contributions too."

I just started, because frankly, she scared me. I left that job after two and a half years with over \$35,000 in savings. I saved a ton, but I also earned a ton, thanks to compounding and a good market. Anyway, I am all about the 401(k), if you've got access to one. We actually have a question later on in the show about supplementing a 401(k). What to do until your employer allows you to contribute? Because sometimes, there's a grace period, right? If you're a new worker there, six months, three months, a year sometimes. What do you do in the meantime if you want to tuck away some money for your retirement?

This was also back to school week for many families. I haven't started at kindergarten. Colette next week starts her pre-K-2 program. It's a lot everybody. We got phase in for Colette next week too. She's starting her pre-K-2 program. That's when you drop your kid off for the first time somewhere alone and they're just supposed to say goodbye to you. I think she's ready. She's been talking about school for a while, but I don't know if she knows that I'm not going to actually attend school with her. We will see how that goes. Wish me luck.

I want to go to the review section and pick out our review of the week. This person will get a 15-minute money session with me. I'm going to be doing this every week until the end of the year. If you're interested in connecting with me one on one, a great way to do that is to leave a review for the show on iTunes. Every week, I will pick at random a review. We actually had a really bad review recently. I'm going to read that one too. First, I want to say thank you to Katie Rowe who wrote, "Accessible personal finance information," in her review. Thank you, Katie.

She says, "If I only have time to listen to one podcast a day, this is it. After I found Farnoosh's podcast, I binged listen throughout – through the past year of shows. It's that good. The information is on point and relevant to my life. Excellent guests, worth tuning in to, an informative question and answer sessions each week."

Katie, thank you so much. You left this review, it says September 2<sup>nd</sup>. I really appreciate your feedback. I'm glad to know that the advice and the information is aligned with you and where you're headed and your interests. Get in touch. We shall have our 15-minute money session at a time of your choosing. You can e-mail me [farnoosh@farnoosh.tv](mailto:farnoosh@farnoosh.tv). Let me know that you are the Katie Rowe who left the iTunes review. You can also direct message me on Instagram.

If you forget my e-mail, just go to Instagram, my e-mail is there as well. I will get in touch with a calendar link, where you can go and book your own session with me and we will connect on Skype, or telephone, or whatever is easy for you, and bring your questions. Thank you, thank you, thank you.

Now we had a listener who was not so happy with the podcast recently and I want to talk about this, because I think it's important to address criticism. This reviewer AnthroShiek77, she titles

her review 'Mommy War Supporter.' That's me. She's calling me a mommy war supporter, one-star. "I generally liked this podcast until I listened to Miss Torabi's episode." She doesn't call me Farnoosh. I'm Miss Torabi because that's how mad she is. "Miss Torabi's episode with the Shameless Mommy founder. In it, she expresses her concern for a stay-at-home moms, because they don't have any income and therefore, no plan should their marriage fall apart or spouse dies."

She then proposes negotiating a salary from your husband. Is this woman serious? She's still giving me a review here. This is not me side barring. These are all her words. "I for one handle all the finances in our household, even though I'm just a simple stay-at-home mom. Through budgeting and goal-setting, I feel better about our finances now than when I was working, but overspending on conveniences.

My husband's paycheck is just as much as mine is, or was and guess what? If he divorces me, I'm entitled to half of the marital estate in New York. I can also do this thing called go back to work. If he dies, he has life insurance. I know being a stay-at-home mom isn't for everyone and clearly not Miss Torabi." That's me. "But worrying that stay-at-home moms haven't thoughtfully planned their financial lives simply continues the mommy war and tells us a lot about Miss Torabi and her judgment."

First, I can't win them all, right? Second, I do have very strong opinions about stay-at-home parenting, mother or father when you don't work and you're in a relationship that puts you in a more vulnerable situation. That is factually true. If you don't have your own assets, your own savings, yes, you fit in a divorce depending on the state and maybe in a prenup, you're entitled to certain things, but there's a period of time before you collect.

There's so many parents who in a divorce go broke, have to live with relatives because they don't have income to support themselves while their court case unfolds, while their settlement unfolds, that's number two.

Number three, I never said, I don't believe I said, or if implied it, I apologize, that if you don't have income, then you don't have a plan. I don't think that's the connection that I was making. I was more saying that if you don't have any money, or any of your own stash, then it's harder for

you to get yourself out of a situation that you don't want to be in, whether that's an abusive relationship, an unhappy marriage, whatever. Money isn't everything, but by God, I would never wish on anyone in the process of a divorce, or a spouse becoming disabled not being able to bring in any income for the other spouse to be without having an ability to quickly start making money.

Yes, AnthroShiek77, you can go back into the workforce in theory. That may take some time. What about those 3 to 6 to 90 years where you're transitioning? If your plan is to get a settlement in a divorce, if your plan is to collect life insurance from your spouse, if those are your plans and you're happy with that? Then you're happy with that. I just want people to be protected. That's where I'm coming from. The advice is coming from a good place and it's not about perpetuating the mommy wars.

I don't have a lot of opinions about how to parent, but I do have a lot of opinions when it comes to financial solvency, your independence as a human being on this planet is directly attached to your financial independence, your financial solvency. A man is not a plan and that's all I'm going to say, okay? If you want to talk, let's have a 15-minute money session. I appreciate this review and I think we'll have a really healthy debate. In fact, why not come on the show? We'll have a healthy debate.

Everybody, go back and listen to my interview with Shameless Mommy. She has a phenomenally popular podcast and guess who listens? All parents, stay-at-home parents, working parents, single moms, single dads, married couples. She has a diverse audience. I don't regret anything that I said on that podcast. I don't think she regrets anything she said on that podcast. We're not going to make friends. We know with these kinds of opinions, because there's a huge population of people out there that aren't working and they're parenting at home full-time and they may take offense to this, but know that this is coming from a good place.

This is advice that we have, because we want everyone to feel secure and not just feel secure, be secure. If AnthroShiek77 you feel like you've got a plan, that you're secure financially, then I'm happy for you. I'm sorry if I did offend you, but I stand my ground.

All right, let's go to the mailbag. By the way, anyone want to co-host with me, let me know if you're interested in co-hosting. Get in touch on Instagram, get in touch on e-mail, send me a question through Ask Farnoosh on the So Money Podcast website. It'll all come to my e-mail and I will get in touch. The best way to let me know you want a co-host is to put in the subject, "We'd love to co-host on So Money." Then in the body of the e-mail, let me know who you are and why you're interested and we'll make it happen, all right? Simple as that.

Okay, first up is Toby on Instagram. Toby is stressed. She says, "Farnoosh, I started listening to your podcast a few years ago when I started nursing school and fast forward to today, I'm in my final semester and expected to graduate with my bachelor's in December." Congratulations, Toby. Early congrats.

The problem she says is that, "I'm having trouble working due to a crazy schedule. I married with a five-year-old son and my husband is extremely stressed as he is carrying the financial weight of our family right now. I feel terrible about it and hoping that it doesn't break up our marriage. I do have an on-call nursing job right now. I'm only able to get two to three shifts though per month, which is only a tiny bit of help. We enrolled our debts with a debt consolidation program and our credit score is very low as a result. I'm also hearing that debt consolidation programs are a "rip-off." Should we cancel the consolidation program? What advice can you offer to a couple in this stressful situation?"

Here's my advice Toby: I think you have reason to be stressed. This is a stressful situation, but I think it's just a phase. I think you would agree that this is not going to be a long-term ordeal. In every marriage, there's going to be one partner usually at some point that is going to have to pick up the financial weight, while the other partner invests more in themselves, whether that's going to school, starting a business, or not working because they're taking care of a family member.

There has to be this expectation that your life together is going to be a juggle and a dance. The most important thing that you can do right now is well, one of the most important things is communicate. What I hope that you're doing, right? Is you're expressing your concerns, but also talking about your future, the plan that you're going to work towards achieving your goals in the

future. The added stress of debt is not helping, so there's the stress of your husband being the breadwinner right now, almost the sole breadwinner.

You juggling coursework and this part-time job and of course, you have a child to take care of and then you have the debt over here in another bucket. Let's tackle these things one by one. I would say with regards to your relationship with your husband, there needs to be an understanding and a constant dialogue around what you're working towards, a reminder of what you're working towards, right? You didn't just go to nursing school to create more stress for your family, right?

You went to nursing school to get the higher education, to get licensed, to be able to fulfill your career goals, contribute to your family and that's going to happen very soon. You're graduating in December. This is a very "tough period," because there's just so much transition right now; you finishing school, your husband is taking on the bigger financial load.

I have a five-year-old, sometimes you don't get sleep, right? Five-year-olds have a lot of energy, so there's also that added physical stress, if you can call it. I'll call it that. My son's – he's lovely, but it's a lot of work raising a child at that age. I would say, make sure that you're constantly communicating with your husband that I think you have to remind him and yourself that you're working towards a goal.

I'm reading this book right now called *The Upside of Stress*. I haven't finished it, but it's been already within the first chapter. I'm learning so much about how to better manage your stress and how to reframe what stress means to you and what stress really is. You're stressed right now, because your life is going through a radical change for the better. *Upside of Stress*, great book, would recommend that. I appreciate stress now a little bit, not that I want more stress in my life, but it really makes you think twice about why you're feeling stressed and how to eliminate that tension in your body, in your physical self, in your mental self that stress sometimes creates. It's really interesting.

With regards to your debt, I don't know what particular program you're in. There is this generalization out there that debt consolidation programs are pricey, in the sense that they have sometimes very high fees, they may charge you a lot more than in the end what you would have

paid if you just kept on the track of paying your debt off yourself. They're promising you to consolidate everything, make it streamline, simplify it, but then they tack on this big fee that outweighs sometimes the benefits.

If you're feeling you are getting "ripped off," here's what I would do: I would sign up for a free consultation with the National Foundation for Credit Counseling, [nff.org](http://nff.org). They're all over the country. You can go online, schedule an appointment, go in and have them evaluate what is going on with your debt. Is the program really up to snuff? Can you find another way to pay down this debt that is more affordable and not adding to the load right now?

In some ways, maybe this consolidation program while it could be pricey, if it's giving you breathing room right now to not feel so financially suffocated, there's value in that, right? There's a price you're paying for that. That said, maybe there is a better way. Maybe there's a way where you can with the NFCC. They do have debt management programs. It's not a consolidation, but it's a management program where they essentially become your advocate. They call all of your creditors, they try to negotiate lower interest rates, get rid of late fees, find modifications that can make your monthly payments more affordable.

It's not going to be the thing where sometimes that consolidation programs are saying, "We'll get you out of debt in six months." Well, you pay a price for that. Debt management programs, such as the ones at the NFCC, which is a non-profit, they say, "Look, we'll do our best. You're not going to get out of debt overnight. You may have to get on some two to three-year plan, but it is going to be cost-efficient." Over time too, they're giving you budgeting advice, they're helping you rebuild your credit score. There's also that that goes along with the program.

Check it out. It could be something that you may want to enroll in. If nothing else, that free first meeting could be very helpful. You got to keep your eye on the prize. I saw quote the other day on Instagram, it's where I get all my inspiration these days, all those quotes. There was a quote that really made me laugh, but it was profound. It said, "I didn't come this far to only get this far." Think about that. You've come very, very far, Toby; almost finished your masters while being a mom, while working, so impressive. You didn't come this far just to come this far. There's so much more head for you.

This is a challenge, this is a hard patch. Open dialogue, open communication, sticking to the plan, reminding yourselves of the silver lining, the light at the end of the tunnel and reaching out to some other resources, like the National Foundation for credit counseling to get more educated on the realities of your debt. Then *The Upside of Stress*. It's great book. I highly recommend everybody who's going through a bit of a stressful bout in their lives, it's really science-based, very interesting. All right, good luck to you, Toby, and thank you for your question.

All right, we question from Anonymous. She says, "Hey, Farnoosh. First off, wanted to say I'm a huge fan. I've been listening to your podcast for a couple of years and yours is one of the few that I've kept in rotation this long." Well, thank you. That means a lot, because since I launched in 2015, there have been a number of new shows, great shows, so I'm really honored that you've kept it here.

Here's her question: she recently switched jobs and her new employer does not allow employees to start contributing to a 401(k) until six months after starting. She says, "I'm wondering if you had any suggestions for how to save for retirement in the meantime? I have a traditional IRA that I just opened this year and maxed out for 2018. I planned to do the same when tax time came around for 2019. Should I be contributing to a Roth in the meantime, or putting money I would have put into my 401(k) into other investment accounts? Wanted to hear your thoughts."

Contributing to a traditional, or Roth IRA may be a great way to supplement here. Sounds like you've already done everything you can with the traditional IRA. Adding a Roth IRA to the mix might not be a bad idea. I like having a bunch of different retirement accounts, simply because it provides tax diversification in retirement. A traditional IRA, your contributions today count as tax deductions. You are taxed in retirement. Roth IRAs, you contribute after-tax.

Then when you go to withdraw to retirement, you can withdraw that tax-free, so that in retirement, you have some accounts that are being taxed, some that are not and therefore, you're able to maybe offset some of that tax burden. I like that.

All right, we have a comment from Jessica who said that my recent guest, Natalie Elisha, Elisha “was a little too doomsday for your show. Just a comment.” Well, we did talk about death in that episode. We talked about how to protect your legacy, your financial legacy, how to protect your assets, the importance of having a will. I know it's not everyone's cup of tea, but I do think these are important heavy topics to talk about. This is a financial show, so we talked about all the ambition that we have and the aspirations and the goal-setting and making the money, but we got to be realistic too, right? Talk about how we protect ourselves.

I think that was a – I'd say, it was 10% doomsday and then 90% uplifting. I walked away from that interview with an action plan realizing, “Hey, I need to update my will.” I don't know. I didn't see it quite as doomsday, but I appreciate the comment. If that's not your cup of tea, you can skip that episode. I got to put that – I got to mix it up on this show.

All right, Jack has a question. Says, “I'm a new listener to the podcast. Really enjoying the show so far.” Well, I am so glad. Thanks for listening. He says, “Not sure if this is a type of question you typically get, but I'm having an issue with my former landlord and getting my security deposit back. I'm in New York and moved out over two months ago and I'm yet to see my deposit come back, despite many calls and e-mails to the leasing office. I'm always getting sent to voice-mail and getting no response over e-mail.

I pulled for my savings to cover my moving expenses and it was always my plan to drop my deposit back into my savings after I got it back. I know the time frame to return a deposit in New York is 14 days, which is to be fair tight, but I'm getting more and more anxious by the day that I won't see that money. What are my options? I really want to avoid small claims court at all costs. Hope you might have some words of wisdom.”

Well firstly, have you tried just showing up to the leasing office? I don't know if you have, but at this point, I'd go pretty stalker-ish on this landlord and just show up to the leasing office. They have a physical location, they have office hours. Show up. Face to face confrontation is a lot harder to avoid and ignore than an e-mail and it's a lot easier to not pick up your phone than to not address the person standing in your office. I would try that, if you feel comfortable doing that. Try that.

Now secondly, I don't know if you know any of the other tenants who have left that building, maybe whoever was living there before you. Maybe worth just e-mailing this person and saying, "Hey, what's been your experience getting your deposit back from this landlord?"

You can even probably find who has lived in your exact unit by going to [whitepages.com](http://whitepages.com) and looking it up, doing a reverse lookup, for look up the address and then see maybe a history of people who've lived there in the last few years and doing a bit of a Google investigation, get their e-mails, contact them on Facebook and just say, "Hey, not to be a stalker, but I live in the apartment that you used to live in. I'm having a really tough time getting my deposit back from our landlord. Wanted to know what your previous experience was."

It's worth inquiring, because you may discover you are not the first victim. If you find someone who went through the same experience, you can ask them, "Well, what did you do? Did you get your deposit back? What did you end up doing?" You might get some advice from previous tenants in that unit. Otherwise, I think your only choice here is to sue and I'm looking at the New York City website here and you got to first write a demand letter for your money. Then you can begin a small claims case, if that doesn't procure your security deposit back.

This stinks. Small claims court. You could also submit your question to the New York Times. The real estate section of the New York Times is my hands-down favorite section of any newspaper. I read it every weekend. In those few pages, they dedicate a little box to resident concerns. People have sent in questions and they have an expert on the staff who will investigate for you. People have asked questions about getting rejected by a board, what are my rights, landlord disputes, etc. This could be great forum for this question.

Yeah, and landlords must return the entire security deposit, plus any interest earned, less any lawful deduction to the tenant within a reasonable time after the end of a lease. Since July 2019, that time frame is 14 days. All right, so on just a matter of principle, I might send this to small claims court. That's just me. I really appreciate your question, Jack. Thank you for joining the show and I hope this was somewhat helpful. I hope you get your money back.

All right, question here, e-mail from an anonymous listener. A question about negotiating a salary. This person says, "I love the tips you've shared on this subject, but I have not been able

to apply them because my company sets a cap for annual raises. The cap usually feels more a cost-of-living adjustment than a performance-based raise. There isn't really room for negotiation because of the cap. I've tried before and I've had managers transparently tell me that they've already given me the highest increase they were allotted.

I love my job, the work and the people, but does this mean my only potential for a more substantial raise is through promotions alone? Is there anything else I can do to increase my salary at this company? I was promoted in the last two years and I'm content to stay in my role for at least a couple more, so I'm not really aiming for a promotion at this time.”

This is tough. Negotiating can go a very long way. It's important to ask for more when you feel that you're undervalued, showing your value, but some companies are just really strict and transparent, frankly, about what they can pay you. I know people who work in federal jobs, this is the case where they cannot make more than a certain amount, given their title and role, until they get promoted, then they're in a different bracket.

In this case, I think I would have to agree with you, what you already know, which is that in order to make more than just the 2%, 3% raise every year adjusted for inflation, you need to get promoted. You've already been promoted in the last two years, that's great. One thing I will say though is I think, leverage might be something you can utilize here, but only if you're really serious about leaving. Sounds like you love your job, but just want to put this out there.

If you find another gig that pays you more in the same industry, maybe it's even a competing company, they're going to pay you more for more or less the same role that could be information you can bring back to your employer and say, “I am thinking of quitting, because I know that there is a very strict rule here around salary raises, which I understand and I respect, but I have been offered a job at this company. I'd like to take the offer, unless you're willing to match or beat the salary.”

Get something in writing from the other employer. I'm not usually a fan of pitting one employer against another, but if you're really serious about making more money and you're fine with leaving and going to this other employer, then I think in that case that leverage, it's worth a shot, it's worth a shot. It's the only scenario where I might see them suddenly realizing, “Oh, there's

an exception.” Here's the other thing, have you asked your boss have there ever been exceptions to your salary rules? That's actually a negotiating tactic I learned from a Wharton professor who teaches negotiating. He says sometimes, stores, companies, wherever you're going to negotiate, they will say this is our rule, this is our rule. We don't bend the rules.

Now, your follow-up question should be do you ever make an exception? Have you ever made an exception? They may say, “Yeah, there was this one time we did this. We gave this person more money.” Okay, that's a learning for you. Say, “Okay, well if I do that, if I follow in that person's footsteps, would I be in a position to get that raise, that exception, could that apply to me?” It's how you might be able to move the dialogue further. That's my advice. Leverage, or at the very minimum, asking them have you ever made an exception to this rule and let's see what they say, all right? Great questions, everybody.

We have time for one more question. Okay, I love this question from Caitlyn. This is actually a conversation my family and I were having recently, my parents and I. She says, “Hey, Farnoosh. I'm a huge fan of the podcast. It's definitely my daily dose of financial inspiration.” Well, thank you. Thank you, thank you. She says, “My husband and I have been fantasizing of building our dream home for the past five years and we're just about ready to get started.

We have always paid off our debt aggressively, so we are aiming to pay our home off in about 10 years, or less. I'm wondering, what is the trade-off between having a 15-year mortgage, or a 30-year mortgage and paying it off early either way? Would more go to principal per month if it is a 30-year mortgage? Would love any advice you could offer.”

Okay, so our family and I was having this conversation, similar, recently about why would you get a 15-year mortgage. For some people, that's a great benefit, because first, you get typically a smaller interest rate with a 15-year mortgage. There's an incentive for you to take on these 15-year mortgages from banks, because they want you to obviously, you get to pay it off sooner, they can make their money back sooner, they give you a little bit of a smaller interest rate as a result. The caveat to that is that you've got a bigger payment every month. If you are okay making that payment every month, then so be it. Go for it. You're going to be debt-free in 15 years, no hassle, smaller interest rate.

The thing is I'm more in the 30-year mortgage camp, because life happens sometimes. In some years, you don't want to pay as aggressively on the mortgage, maybe some years you want to just go the track of the 30-year mortgage. There is something to be said and David Bach who wrote *The Automatic Millionaire*, who's been on this podcast a bazillion times, he's written about the impact that you can – that just one extra principal payment to your mortgage can make over time. I mean, it can reduce effectively a 30-year mortgage to a 20-year mortgage, save you tons in interest. For someone like me who likes to have flexibility in her financial life is more my speed.

That is what you're comparing here. Do I want the 15-year mortgage because it's going to give me a smaller interest rate and it will get me on a serious path to being debt-free in 15 years, or less if you put more money towards the principle every month, versus a 30-year mortgage which you can DIY into a 20-year, or 15-year mortgage, or even small depending on how aggressively you pay it down month-to-month.

The beauty of it is that you don't have to do more than just what the required 30-year mortgage payment is, which is going to be a smaller payment than the 15-year mortgage effectively. If you wanted to say, put an extra payment towards the mortgage every year, a 13<sup>th</sup> payment towards principal, that's going to knock down your principal, it's going to effectively reduce the amount of interest that you pay over time. Over time, you'll get out of debt faster, you'll pay less interest, but you'll have done it on your own time and your own will.

You got to check, sometimes 30-year mortgages come with pre-payment penalties. A lot of them don't, but just check to make sure ours doesn't, so we have the ability to be more aggressive some years and just stay the course others. That's my 2 cents.

That's a wrap, everybody. Thanks for tuning in. I hope everybody who experienced back to school had an easy week. I just want to read off something from Instagram that I thought was really important to share, as somebody who did experience bullying in school growing up, but this was going a bit viral on Instagram. It says, "Please read. Special request to all you kids returning to school in the next few days. If you see someone who is struggling to make friends, or being bullied because he or she doesn't have many friends, or because they are shy, or not as pretty, or not dressed in the most in clothes, please step up. Say hi, or at least smile at them

in the hallway. You never know what that person might be facing outside of school. Your kindness might just make a big difference in someone's life.”

It says, “Repost if you agree.” I heart that. I'm going to share that on the show and I hope you'll forward that message along.

Thanks again, everybody. I hope your weekend is so money.

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