EPISODE 1821

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FT: So Money Episode 1821, Ask Farnoosh.

[INTRODUCTION]

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ANNOUNCER: You're listening to So Money with award-winning money guru, Farnoosh Torabi. Each day, in a 30-minute dose of financial inspiration from the world's top business minds, authors, influencers, and from Farnoosh herself. Looking for ways to save on gas or double your double coupons? Sorry, you're in the wrong place. Seeking profound ways to live a richer, happier life? Welcome to So Money.

[EPISODE]

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FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. It's Ask Farnoosh Friday. Our Q&A sesh, where we dive into your real-life money questions on everything, from career decisions to saving money for a big expense, college, and what to do when life feels uncertain, which is every day. Coming up, Elizabeth in the audience has a question about, working at a worker coop, a worker cooperative. It pays less, but it might offer more meaning. What should she ask before making the leap.

Lots of you are concerned about the volatile stock market might be impacting our 529 college savings plan, even for those of us with kids who aren't even in middle school yet. Maybe we have another 10 years until college, but we're not so confident in the direction of the stock market. So, how should we be rethinking our college savings plan. A teacher in Canada writes in, talking about, feeling stuck, low savings, mounting debt, and no obvious way out. What can she do this summer to regain some momentum. I've got answers.

First, let's take a look at what's going on in the economy, and why it matters for all of us. Like last week, I want to pull some headlines from the news. Firstly, McDonald's reported a drop in foot traffic in its latest earnings report. So, okay, here we go, fast food is becoming a luxury, that's a red flag. And then, you combine that story with this week's GDP data, which showed that the economy contracted by 1.6% in the first quarter. And we had a jump in jobless claim. You've got a trifecta of economic slowdown signals. But are we in a recession yet? Well, not officially, but the cracks are showing. So, if you're feeling cautious about big purchases, transitioning to a new job, investment moves, you're not alone, and we're covering it all every day on So Money.

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Another story that really resonated with me this week at least was in the New York Times, a thoughtful piece on how to talk to your kids during an economic uncertainty. The takeaway really from that story was, you can't hide what's happening, so don't pretend like everything's fine. Help them understand it in an age-appropriate way. We've done a lot of interviews over the years on So Money about talking to kids about money. Just this week, we had an episode, I'll get into that in a moment, about kids and wealth.

But this article in the New York Times actually reminded me a lot about growing up in Western Massachusetts in the eighties and nineties. My father in tech. He was constantly worried about layoffs. This was an era of constant merging and acquiring in the tech industry. So, his title, his job was aways, it seem at least on the chopping block with all that consolidation, words like, packages was common dinner table discussion. I didn't really know what was going on, but I could tell that they were nervous, my parents. They fought a lot about money, as you may have read about in *A Healthy State of Panic.*

I kind of wish they have been a little more direct with me. Because what I always felt walking away from those dinner table conversations, was that, there was no resolve, and my parents were just kind of like hoping for the best. Even though looking back, they obviously were being conservative, and they were rebudgeting, and they were just trying to hang on. As a young kid, it was nerve-wracking, because I didn't feel like I could control any of it. I think it would have help just to hear my parents talk about how they were planning around it.

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The story also reminded me of something that comedian and author, Zarna Garg shared with me this week during a live interview that we taped here in Montclair. It hasn't aired yet on So Money, but I sat down with Zarna Garg at Loopwell to talk about her new memoir, *This American Woman*. During the pandemic, Zarna talked about when her husband lost his finance job. They sat their kids down, all three of them, and explained what was happening. No sugar coating, and she believes that while, it may not have been every family's choice to do that, it was important for her to let her kids know that this was the reality. We may not be able to do all the things. We're not going to go on this vacation. We're not going to be able to participate in some of these activities that we normally do. Here's why, but we have a plan, we're going to get through it.

She said, it did help her kids feel more grounded, and more resilient, and also, more like a part of the family. More on that conversation next week. I'm going to prepare that powerful interview with Zarna. You'll hear about her reinvention, her family, and of course, you're going to laugh, because she's hilarious.

We're going to get to the mailbag very quickly. But in case you missed any of our episodes this week, I alluded to my conversation with Rachel Rodgers on raising money-conscious kids. That was on Monday. Rachel has a new book out called, *Future Millionaire: A Young Person Step-by-Step Guide to Making Wealth Inevitable*. We talked about how to teach our children that wealth is within their reach no matter their starting point.

Then, on Wednesday, if you're not sure about how to start a will, whether the will you have is viable, good. We got estate planning one-on-one with Heather Zack. This was actually a recording from a special workshop that I led from my So Money Members Club in April. Now, you get to hear it.

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Just a reminder, if you're interested in joining the So Money Members Club, enrollment is ongoing. You can go to somoneymembers.com. We do monthly workshops on hot financial topics, we have office hours once a week, and we have a very engaged community of people who care about their finances. They care about their financial wellbeing. They're very supportive. We're going to be covering so much the rest of this year from college savings, to navigating money in the sandwich generation, mastering the world of credit card points, managing your debt, negotiating raise, how to buy insurance. Come be a part of the community if you're looking for a way to invest in your financial life as we head into tricky times. Go to somoneymembers.com to learn more about enrollment. If you have any questions, just reach out, farnoosh@somoneypodcast.com.

All right, let's go the mailbag and answer your questions.

[ASK FARNOOSH]

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FT: First up, Elizabeth writes in, a long-time listener, she says, she's casually looking for a new job because of some changes at her current workplace. She's interviewed at a new company, that's a consulting firm, set up as a worker cooperative. The salary is much lower than her current role, but the work she says, seems interesting. So, she wants to know, what question should she ask about how worker coops run. She currently works at a private company, and so, she wants to understand more and better about what she's getting herself into potentially. "Also, any thoughts that I may have on making a lower salary. It seems like an interesting company," she says, "and it has some extra benefits over my current workplace, but I don't want to make a mistake."

All right, Elizabeth. Thank you for bringing this to our attention. We've never covered coops before. I had to look this one up. I mean, I know what coops in general are. It stated that everybody rolls up their sleeves, and participates. Like if there's a school that's a coop, the parents volunteer more than, say, your typical public school. I lived in Brooklyn. There was the park coop, food coop that was run by the community. A lot of people who lived in the area worked there, volunteered there.

A worker coop model is owned and governed by the employees. It's intended to be democratic. Everyone typically gets one vote, and there's shared accountability. I don't know how common this is, but here are some questions I would be curious to find the answers to. One is, how are major decisions made? For example, if there is a tough quarter, a tough year, and there's going to be cutbacks, rollbacks, how does the organization decide on things like layoff and who gets laid off? Is it majority vote? Is it consensus? How long will we have before we get answers to big decisions? How is profit shared or reinvested? Are you going to get a bonus every year that aligns with the profits that everybody contributed to? Are salaries capped or tiered? So, what, if any, flexibility exists around pay bumps.

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I would also want to know about the governance structure. Is there a board? Are there committees? And again, what happens during downturns, layoffs, pay cuts, severance? Then, I would want to know, what is the average length of time that people stay at the company, why do they potentially leave. If you can get a hold of people who have worked there, I would ask them some questions too, and maybe, you can find people on LinkedIn, and just straight up DM them.

Now, with regards to that lower salary, a smaller paycheck, money isn't everything. I'll be the first to say that, sometimes, making less at a job that's going to give you more in the sense of balance, and autonomy, and maybe even benefits is sometimes worth so much more. A smaller paycheck is manageable but you have to make sure that there are maybe some other benefits that are offsetting the lower pay. Are there things like profit sharing? Is there a flexible schedule, so you don't have to do the commute, equity in the business? Or sometimes, you'll be interested in a company that has more values alignment, that we feel happier, better going to work, and contributing to this company.

Let's also be practical. What do you need to earn to meet your financial responsibilities and your goals, not just today but in the long run? And if this new job can't get you close, no matter how kumbaya it is, then, it might not be sustainable, even if it is fulfilling. So, that's the sort of calculus. If I'm giving up on some pay, what am I getting on the other side of it? But also, the bigger question is, is this going to be feasible, given that I have some real hard cost? Maybe the question then becomes, what can I trade off in my financial life to make this job worth it? You have to really love the job, it sounds like, to be able to make all these concessions.

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Remember that coops, although they are not traditional, you can still negotiate. You can ask about a raise timeline. You can ask for more when they're offering you their initial offer. Jobs aren't forever, as we know. If this opportunity is exciting to you right now, and the tradeoffs are manageable, it may be in your mind, you're like, "This is not a forever gig." That's okay, give yourself a permission to be like, "I'm going to do this for a year" and see where things go. It could be worth trying, but don't sacrifice your financial wellness for mission-driven work. Because, maybe not everybody will tell you this, but I mean, I'm very practical. You have to pay your bills, you have obligations. As much as we would like to just do mission-driven work, sometimes, we have to be practical. If you have a side hustle that can supplement this income, well then, there's a solution. Don't feel bad that you're going to make a decision based on the hard facts of your financial life.

I've taken jobs in the past to pay the bills. I'm so glad I did, because those things are important. Good luck, Elizabeth, and let us know how it goes. I appreciate you giving us a heads up about this worker cooperatives. I'd be curious to know how many companies in the U.S. actually operate like this.

All right. Next question is a question I actually got from my So Money Members Club. This week, I had an officer hour. This is an opportunity for everyone in the club to come, and hang out with me, bring their questions. This time, a lot of people were curious about college savings plan, the 529. Many are worried that the market is going to be too volatile over the next ten years. They want to protect their savings rightfully so, because I have a good sense. I can almost predict that while, maybe we will enter a recession, maybe there will be a slowdown in the economy, the market's going to be volatile. The cost of college is not going to go down. It's only going to go up. This is a common concern, especially in uncertain markets.

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The good news, I'll start with that, is that most 529 plans allow you to invest in age-based portfolios. 529 plans are state-administered plans. You don't have to live in that state in order to participate in a state's 529 plan, but many often do participate in their state's plan, as many plans come with a state tax break. But that aside, when you're investing in a 529 plan, typically, they're designed, they give you an age-based portfolio, and then, they give a few choices. Do you want to be aggressive? Do you want to be moderately aggressive? Or do you want to be conservative?

That's essentially going to inform which investment track you're going to go on. If you're using one of these age-based portfolios, your plan may already be adjusting for risk gradually. So, an age-based plan would say, okay, if you're going to go to college in 2030, 2040, we're going to create a portfolio that's going to reduce its risk the closer we get to that target date, where you're going to want to pull the money out for college. In that case, I wouldn't be too concerned. Know that the risk is more less being adjusted for the fact that maybe right now, ten years out, you can take on more risk. But closer to that college date, it's going to turn more conservative.

If you're, let's say, in aggressive age-based portfolio right now, and you're thinking, "I think I want to switch to moderate or conservative." That's a personal choice. You can make those adjustments. I think, every 529 plan gives you one or two times a year, or you can make an adjustment to how you're investing. And you can call them and ask for that adjustment. You might be able to do it online through your website.

If you're managing your 529 plan manually, again, you could shift to a more conservative allocation, which means, more bonds, less stock. You can also split the strategy, and keep the 529 going, but consider adding to a high yield savings account, or a CD for more stability. If you've got 10 years to go, you don't need to over correct here. That's a long horizon. Stock may dip, but they'll also recover. A little protection is fine, but too much could limit your growth.

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For all of us saving for college, if we are at the beginning of this, we don't have a whole lot to worry about in my opinion. If we're in the middle of it, kids are like eight, ten years out, then, revisit the plan. Do you feel comfortable? Do you want to go from aggressive to maybe moderate?

If you're really close to college, and you're in an aggressive 529 age-based portfolio, then, in that case, you might want to move it to something more conservative, because you're hearing a lot about potential recession, potential more volatility in the market.

If that's not okay with you, and you want to make sure you're conserving every dollar as you get very close to college, then, you might want to switch the allocation to something a little bit more conservative. If you're working with a financial planner, this is a perfect question for your financial planner. It's also a good question as all these 529 plans have customer service. They have people who are qualified to answer your questions, and so, take advantage of that.

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Our final question comes from a teacher in Canada, who is feeling stuck and unsure about next steps, especially financially. Here's what she writes. "Dear Farnoosh, I'm feeling stuck, I'm female, in my mid-thirties, teaching at a community college in Canada. I make $85,000 a year, but after deductions, my monthly take home is about $4,000. I have about $7,000 in debt, and a student loan that I keep deferring. The education sector here has become unstable. Enrollment and funding have dropped. There have been layoffs, and my department says, things could get worse in the next few years. Job security no longer feels reliable.

Now, I've been living frugally, I've been cooking at home, I've been living in my expenses. But groceries are expensive, and unexpected vet bills have set me back. I love to travel during my two months off in the summer, but I can't afford. I thought I would apply for part-time work, haven't had any luck there. I've tried tutoring online, but it's low pay, high stress. I also try pet-sitting through Rover, but no one reached out. Overtime isn't available at my job, and moving into an admin position, it might help, but I don't know how to break in, and I avoid workplace politics.

This is a job many people would envy because of the pension and time off. If I leave, I may never get tenure again, but I feel so stressed because of my debt. Ideally, I'd like to find something in the summer to pay it off, so I can think more clearly. I just don't know what else to do."

All right. Well, my friend, thank you so much for sharing this. I think it takes a lot to write this to someone, and know that it may be shared with an audience. So, appreciate you. I think, in doing so, a lot of people listening might be feeling seen. You've clearly done a lot of things to stay afloat. So, I just want to recognize that and applaud you for that. You're really being proactive. You've got what it takes to be successful here. I think it's just a matter of not getting beaten down, and being persistent.

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Let's get you to a short-term win though, because I think that would be helpful to feel psychologically rewarded. How I would do this is to focus on that $7,000 in debt. Set a concrete motivating goal. Is it possible to pay off half of that this summer? Can you make an extra principal payment? Can you get very deliberate about putting extra money towards this debt? This is something that is a healthy focus. I think you can do it, and you're going to give yourself time until the end of summer, so, August, early September. Something actionable to work toward.

Another step is I would lean on your community for income, for extra income. So, you've been unsuccessful online, you say. What about in-person summer opportunities? Test scoring, academic camps, admin help at nearby schools, or nonprofits. These may actually pay better than online work. It may be less crowded, and you get to be with your community, and you'll be able to network while you're on these jobs. I know many teachers who teach at summer camps, they tutor in-person over the summer. Whether it's SATs or subjects. It may not be life-changing money, but it is helpful and it can help to payoff this debt.

The other bonus as I mentioned is being within the community to network, and learn from other people. I'm all for working from home. I'm all for the convenience for working online. But there is an inherent benefit to getting out of the house and working with other people. You will be inspired in ways that you won't be behind a desk.

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Then, as I say that, there are some low-hanging freelance jobs online that may not be very exciting, but can be low lifts for your, given that you have a teaching background. Could you help other teachers prep their syllabus, their syllabi. Can you edit their resumes? Can you consult on diversity initiatives? What's your niche and who could pay for it? Like we always say in this show, you make money from what you do, but also, what you know, what you've learned on your journey to becoming the person with the title that you have as a teacher. Can you consult other teachers?

Finally, be open to leaving. I know that it's hard to give up on the benefits, and the tenure. But if you do leave, because you have another job that's going to be more financially advantageous, the work is better, there's more of a future for you there. That's not a mistake. It's a pivot. A tenure does not equal peace of mind if the system is no longer working for you. It's no longer supporting you. Just putting that out there as well. You are capable of reinventing. You are that goal-getter. I believe that with the right opportunity – if and when there is a right, better opportunity, don't ignore it just because you have tenure, consider it. Really consider it.

That is our show, everybody. A kind of short, sweet Friday episode of Ask Farnoosh. Stay tuned next week, we'll be hearing from Zarna Garg, live in Montclair, New Jersey, talking about her life, and her memoir, *This American Woman.* Thanks for joining, and I hope your weekend is so money.

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