

**EPISODE 539**

[ASK FARNOOSH]

**[0:00:32.0]**

**FT:** You're listening to So Money everyone. Welcome back. It's Friday, Ask Farnoosh time. Questions today about leaving the country to join your partner as they go and venture off in a new job. Questions about taxes. Questions about investments, retirement. We've got a full show for you today answering your questions. I'm very happy to be here. Still here, still pregnant. The clock is ticking. Not a day goes by where someone doesn't ask me, "Are you due today? Are you having twins?" I've become immune to all sorts of commentaries.

Sophia, welcome to the show.

**[0:01:08.2]**

**SY:** Thanks so much for having me.

**[0:01:10.0]**

**FT:** You have no idea how big I've gone, because I've been working from home many of these last few weeks just because I can't — I can't. I can't get on a subway to get to work. I just can't, and it's not because people aren't polite on the subway offering me their seats. It's just I can't even get up and down off the couch. It's physically challenging being pregnant.

**[0:01:30.1]**

**SY:** I don't doubt it.

**[0:01:33.0]**

**FT:** You're like, "Don't tell me these things." You have a ways to go. I don't mean to scare you. The good thing I think is that — Look, I've obviously gone through this before and the symptoms were similar. This time, a little bit more, I think, aggressive. Just — I'm a little older and I think that I also discovered that I have very low iron during this pregnancy, which is why I wanted to take these four-hour naps in the afternoon. Who knew?

I think once it's all aside and done and you've gone through the labor, it's like your mind shuts that part of that experience off, so that you do continue to procreate. I think it's like a human thing, human instinct, human nature, where you actually compartmentalize that memory of you block it out. you don't really remember how painful, and tiring, and exhausting, and difficult it was to carry a child for 10 months, deliver it, et cetera, because the universe wants you to keep bringing humans on to the planet, I supposed. The good news is, I guess, that in like six weeks, I'll forget all about all of these and I'll have new problems, like sleep deprivation.

Like I said, this show, as always, jam packed with all sorts of questions, right? Sophia, we've got our first question here which I actually — I'm looking forward to tacking. It's from Kat. She is a young lady who is in a relationship and her partner got a job in Australia. She's wondering what to do. I feel like this is an episode of Girls.

**[0:03:03.8]**

**SY:** I know. When I was reading it, I thought the same. Kat is living in New York City and she's been asked to move to Australia with her boyfriend next summer. That's where he's from. His company is bringing him back to their office in Sydney, and they've only been together right now for about a year, but they are serious about one another.

She says she's always wanted to live abroad. Has only been in her career in communications and marketing in New York City for just under two years. She does say that Sydney has these types of jobs, but she's wondering, "Is it a smart move to move around the world if you're serious about someone and you want to pursue the relationship, but you're not quite sure you want to get married yet."

She's wondering, is it going to hurt her to career prospects in the states if she eventually wants to move back, and she's not sure what would happen to her credit card debt back here.

[0:03:59.7]

**FT:** Okay. She has credit card debt. Did she say how much?

[0:04:02.7]

**SY:** Yes. She has \$5,000 in credit card debt, and she's also 23, if that's helpful to know.

[0:04:07.6]

**FT:** Okay. Big decisions. Crossroads. Metaphorically, and literally, at a crossroads, "Do I go to Sydney? Do I stay in New York?" I can't speak for the relationship. I'm not going to say — I don't know where — She says she's really happy and they have feelings for each other. They do see a future together. That's all positive. Those are all positive signs.

Listen, woman to woman, Kat, right? I think you should, one; if you're going to do this — Let's assume you're going to do this. I'm not going to tell you whether you should do it or not, but I will just say that if you do plan to do this, which I think could be a very successful trip for you, just like I would be or your partner, but it depends on what you make of it. This is all in your hands, and there are a few things that you want to make sure that you have covered before jump ship.

First is get rid of that credit card debt before you leave for Australia. Just get rid of it. Not like you can't pay your credit card debt when you're overseas, everything is electronic these days, you can make those credit card payments. I think, financially, you want to be as secure as possible to go over there, because you may go over there without a job. I would hope that you would, in the meantime, between now and getting on that flight to Sydney, that you have made some contacts over there. You've, at least, done some research to see what's available and may have reached out to some of those employers. Start to do the networking now. Frontload as much of the work now. It will be easier once you get to Sydney to then start to follow through on a lot of those context that you've made.

I would also say that you want to have a serious conversation with your partner, with your boyfriend. Great that he has this opportunity to move to Sydney, but what's the plan? Are we going to be here for a year? Are we going to be here for indefinitely? For six months, For two years? I think it's important to set expectations. You may not have those answers yet, but it's important to start talking through the what ifs. What if you go to Sydney and I find a job that I love and your job doesn't work out? What would happen? Would you just move back?

I think, for me, I wouldn't want to feel 100% dependent on my boyfriend. Even though I love him, I see a future together. I want to feel like I have my own life. Even though this move has happened, or is going to happen, because of his job, it doesn't mean that you have to lose control of the situation, that you have to feel like you're just following him there. You want to feel like you are also equally moving to Australia. If that is your fate, then you want to make the most of it.

Get those relationships. Start making contacts. Imagine your life there. Give yourself time while you're on Australia to not be working, to be interviewing. That means you want to go there with some savings. Talk to your employer here in America. Maybe you can work remotely in Sydney for them for a period of time until you, either — You find something more permanent, or you just do that for as long as you can. If they're willing to work with you to say, "Okay. That's fine. You can work remotely for us in another country. We'll make it work." That might be an option for you.

Just explore all of your options. Be in control of the situation. Keep lines of communication open with your boyfriend. Get rid of the credit card debt and save, I would say, a few months' worth of savings to take with you to Australia so that you can be independent, financially independent in the event that you don't find work right away.

What do you think, Sophia? You've been with your boyfriend for six years, seven years. At this stage, I think, if one of your careers was going in a different direction, you would — It's like you're locked in. It makes sense. But with a year into the relationship —

**[0:08:05.8]**

**SY:** Actually, I had a girlfriend, she's one of my really good girlfriends who just moved out to San Francisco, and she had been dating her boyfriend probably for about two years, maybe a little less, maybe a little bit more. I remember her kind of going through the whole thought process, because they both lived in New York and his job took him out there. They did long distance for a couple of months, which was difficult, but they knew that they wanted to be together, but similar to Kat, weren't really sure if marriage is a possibility at some point since they've only been together for a little while.

Ultimately, she really put a lot of thought into it and said, "You know? I would love a career change in terms of moving to a different company. My job is great, but I have been here since I've graduated from college, and it's time for a chance. As well as I love New York, but I'd love to get out of this city for a little bit of time, so maybe this is the perfect opportunity to go out to San Francisco." She did exactly as you advised Kat. She really thought about it. She made a plan. She saved up some money. A little bit different, because, of course, San Francisco is not as far as Australia. She was able to find a job before she got there to make sure she would be set up when she was there.

Ultimately, it was a great move for her in terms of her career. She has a bunch of other friends out there as well. She knew that, God forbid, something happen in the relationship, she would be secure out there on her own, which I think at the end of the day is the most important thing. She's still young too. She's 23, so she does have a couple of years to — If you're going to make a mistake, you can make it in your 20s.

**[0:09:49.8]**

**FT:** Yes. That's exactly what I was going to say to your follow up is that there's really no bad move you can make at 23. I'm speaking career-wise, because there's never going to be that perfect job at 23. You're still in the learning process. Even if you go to Australia, you don't really love the job that you have, there's going to be other pros to being there. You're there with your sweetheart and you're in a foreign country and it's going to be romantic and you might see a part of the world that you would have been able to see before. Remember that too, that you're going there for the — Totality, the experience. You want to obviously be able to support yourself, and feel like your career is moving forward, and you're getting a job that will allow you to then

take that experience back to the states and pick up where you left off, or even, actually, maybe get a better job because of your experience in Australia.

There's so much else to be looking forward to if this is something that you really want to do; experiencing another culture, learning about yourself, learning about the relationship that you're in. Maybe things work out, maybe they don't, but that doesn't mean that the experience will be a failure.

I think that there is going to be an element of risk to this. I'm not going to say that you can do this and it's all going to work out, and if you go into this with the right mindset, the right financial ducks in a row, I think you'll be happy you did it. I think you'll look back and go, "That was a great experience," for a lot of reasons.

Thanks for sharing your question with us, Kat, and we look forward to learning what you end up doing.

**[0:11:24.6]**

**SY:** I was going to say, I hope she does follow up with her decision.

**[0:11:29.1]**

**FT:** Yeah, that's going to be fun for all of us. I think we'd like to outlive curiously through you. If you do go to Australia, send us pictures. Good luck to you.

Next, we have a question from Natalie who has two kids and she is halfway through her internship as a family therapy intern. She is not sure about next steps.

**[0:11:52.8]**

**SY:** Yeah, right now she needs 3,000 hours before she can become a licensed therapist. Her husband is able to support their family alone on his salary, but she wants to be able to contribute more financially, because she says she enjoys her career, but she feels underpaid for

having a master's and is overwhelmed by her six-figure student loan debt, minimum retirement, and savings.

She's considering leaving her internship to just pursue other career opportunities with more stable money flow and retirement benefits, but that would delay her license. What do you think she should do?

**[0:12:31.0]**

**FT:** She still wants to get the license. I assume that once she gets the license, she'll have more money coming in to then relieve her of the student loans, et cetera, et cetera. I mean — I don't know. Again, knowing what I know, just what you just said, it sounds like she's frustrated for obvious reasons, because she's got the debt. Right now she's not making a lot of money and she feels like I have a lot of responsibilities between my family, my kids, myself. You almost want to throw it all away.

I would say kind of try to save the course as much as possible, because the sooner you finish, the faster you get this license, the faster you can start to actually live the life that you want. If you're going to derail this and go in a different direction, that's going to also add time and money to your stress. It's not like you're just going to be able to pop in to another career. You have to figure out the path, work towards that path. I guess, becoming a family therapist, a licensed therapist, it's a long road, and I don't think during that road she's been learning how to code, or taking engineering courses, or learning how to teach. She has a very specific skill set now that's been nourishing and developing that ultimately will pay off, hopefully.

If she changes course now, it's like taking a few steps back. I think that is she is happy in this career, if she actually — When she is that family therapist, that licensed therapist, does she envision a happy career, fulfilling career? That's going to speak volumes too. That's very important.

Not to play down the six-figure student loan debt, not to play down the fact that she doesn't have a lot for retirement, or savings, but I just wonder if she could just stick it out for a little bit longer, get that license and then the pieces, hopefully, will fall into place. I feel like that will be

time better spent than starting over, because then it's like you've wasted all of these years, right?

**[0:14:35.1]**

**SY:** Definitely. I assume she's invested already a lot of money into that, into becoming a marriage and family therapy intern and going to school for it. It's almost — If I were in her position and I were thinking of throwing it away temporarily and just kind of finding something else to make money, in the meantime, I'd think about all the time and money I have already spent that I could have been contributing to those student loan debt and saving for retirement and creating bigger savings bucket.

**[0:15:05.9]**

**FT:** Yeah, 3,000 hours. Let's just say divide it by 40 per week, that's 75 weeks, so that's about a year and a half. I don't know. I'm assuming she's working a fulltime internship. I feel her frustration. I don't want to, again, play down this kind of emotional crossroads that she's at, and it sounds very emotional, and it's also — It's also money concerning. She doesn't feel like she has enough savings, she doesn't have enough retirement, the debt weighing on her.

If she trusts that getting this license will help to alleviate much of that, then go for that goal, Natalie, stick with your goal. I think if your husband is supportive and supporting you, and I think you just go for it and hopefully you'll be able to play catch-up once you land that better paying job.

All right. Now, Lauren wants to know about her 401(k). She's left her previous employer. What do I do with my 401(k), right?

**[0:16:11.4]**

**SY:** Yeah. Right now, she's in that 90-day window that she has and she already has a Roth IRA and she's wondering is rolling over her 401(k) to a Roth IRA a better option than rolling it into

her new employer's 401(k). She's wondering if there are any pros and cons to maybe even having two Roth IRAs.

**[0:16:32.3]**

**FT:** You can have two Roth IRAs, but, of course, you're limited to contributing a total of \$5,500 across both of those Roth IRAs every year. It's not like you can do 5,500 in one and 5,500 in the other, you are going to have to just play it like you have one, but you really have two.

First things first, I would say, Lauren, check your plan's fine print, your current 401(k). Some plans will help you facilitate the direct rollover into a Roth, others will not. If they do not and you want to do the direct rollover into a Roth IRA, then you kind of have to take another extra step, which is to open a traditional IRA, transfer the 401(k) money into that, and then convert the traditional IRA to a Roth IRA.

If you decide not to do the Roth IRA and you just want to contribute to your next employer's 401(k), you can do that certainly. All you have to do, typically, is either work with your new 401(k) plan provider and they'll contact your old 401(k) plan provider and do a direct transfer, or vice versa, call your old 401(k) plan provider and they'll do the transfer. In either case, the most important thing is that the money never touches you, that you don't get a check in the mail, because if you do, that actually qualifies as an early withdrawal and then you'll be subject to taxes and the penalties. Make sure that whatever you do, it is a direct transfer.

Like I said, you can contribute to multiple Roth IRAs if you want, but your total combined contribution in any given tax year cannot be more than your annual earned income, or, in this case, this year, \$5,500, whichever is less. Whichever one you do also will depend on two things, I think. What kind of tax advantage are you looking for? Are you looking for more tax benefits when you retire? In which case, a Roth IRA would serve that, because with a Roth IRA, you get to take the withdrawals out in retirement tax free. 401(k), you have to pay taxes on that.

The other consideration to make is what are my investment options? If your new 401(k) has wonderful options, lots of stocks, and bonds, and mutual funds to pick from, then, great. Usually, IRAs have even better options. They have just a broader selection of investments. That's

another consideration, "What is going to be my investment exposure?" That's more of a technical question, not so much of a should I move to Australia with my boyfriend question, but we like it all here on the show.

We're going to move on now to Andrew, right? He recently got out of college. Has a money question. What is it?

**[0:19:19.3]**

**SY:** Andrew just recently graduated from college and he's working on his first job making \$65,000 a year and his company offers a 401(k). They also offer 100% match up to \$3,000 max annually, or 6% of his gross earnings per pay check. Right now, he's currently contributing a 5% contribution, but he wants to know would it be better to contribute 10% to his 401(k), or split it up 5% to a 401(k) and 5% to a Roth IRA.

**[0:19:52.3]**

**FT:** Sophia, I always say, it's really important. If your company offers a match, that you take advantage of that to the fullest, and it sounds like he is right now with that 5% contribution, because 5% of \$65,000 a year is just over \$3,000, which is what the company is willing to do to the max. They're going to do either a \$3,000 annual match, or they're going to do 6% of your gross earnings, whichever is less, and he's doing that, so that's great.

Now, he wants to know would it be better to contribute 10% to his 401(k), a full time, which we often recommend, is good, or split it up and use 5% towards the 401(k) and 5% towards the Roth. Here is the thing, he is getting that 10% by doing the 5%. He's getting 10% in totality, because he's contributing 5%, because, then, his employer is throwing him the additional 5%.

He is already doing 10%, and if there's money left over, open up a Roth. I wouldn't change what you're doing with your 401(k) at work, because you are maximizing that match. You are getting, in effect, 10% of your salary in a 401(k) because of the match. If, now, you have extra money, open up a Roth. I like having both the 401(k) and the Roth, because each is different in the tax exposure that you'll have in retirement, which is important, because we don't know where our

taxes will fall in retirement, so it's nice to have the option of a vehicle like a 401(k) that's going to tax your withdrawals, and then a Roth which is not going to tax your withdrawals. You get to diversify your tax exposure.

Make the best of both worlds, and good job, Andrew, for being right out of college, making a good salary, and doing the right thing, and investing in your future. It can't get better than that.

**[0:21:50.1]**

**SY:** Definitely not. The last question that we're going to take today is a SpeakPipe question, and it comes from Cody. He has a question about W-4s and taxes. Let's hear what he has to say.

**[0:22:01.1]**

**C:** Hey Farnoosh, this is Cody in Louisiana, and I have a question for you regarding W-4s. What is your take on income tax return? I've been thinking about changing my W-4 to what I currently am; married with two kids, but my current status on my W-4 is single and zero, as I have never changed anything over the years. Would you recommend me changing it to married with two kids so I could get a bigger check during the year and possibly use that money to invest, or let the government keep taking out as much as they can and when I get my income tax return, invest that money? Thank you.

**[0:22:38.6]**

**FT:** All right, Cody. Thanks for your question. I'm really happy that you're able to work it out with SpeakPipe. See, it's not scary people. Just leave a voicemail and we will expose you on the show.

He has a very good question, and it comes down to preference, really. You can claim any number of allowances under W-4 depending how much or how little taxes you want taken out of your paycheck. The more allowances you claim, the fewer taxes are taken out of your paycheck. The fewer allowances you claim, the more taxes are taken out of your paycheck.

Personally, if you ask me what I like, I like getting a big tax refund, so the fewer your allowances, the more taxes will be taken out of that paycheck, and then come April 15<sup>th</sup>, you will hopefully get a nice refund. Yes, that means you're giving the government an interest free loan, essentially, during your work here, but it's more likely, I think — I think studies have proven this to some extent, that getting a lump sum of cash is, in some ways, more financially productive. You can put that money to more serious use and quickly. If you've got debt, if you've got a big purchase you want to make, getting a windfall — And the average tax refund is about \$3,000. That can really move the needle for you in your financial life quickly.

That said, if you don't like the idea of giving the government an interest free loan, and you are disciplined, and you have done the math, and you're like, "You know what — " If you want to raise your allowances and have fewer taxes taken out, then you just want to make sure that you're actively saving that money, putting it aside, because come tax time, you may have a tax bill.

Keep in mind too that whatever you claim on your W-4 is not necessarily what you claim on your tax return. On your tax return, which you file in the beginning of the year around the spring time, you have to be very precise and honest about the number of people that are dependent on you.

Cody, I assume you're doing that, but for the sake of your W-4 and how much taxes have been taken out, really, it comes down to what your personality is, your money personality; you're kind the person that's going to be really excited to get that tax refund, or you're somebody who is more disciplined and realizes that while you're having less taxes taken out during the year, that that's not really your money to spend, that you're going to have to give that back at some point, usually.

Somewhere between that, there is a number, and you can go to the IRS website, there's a withholding calculator there that can help you better realize and calculate what you can claim without owing. Go to [irs.gov](https://www.irs.gov) and type in, maybe, withholding calculator in their search bar and you'll get this calculator. It will basically tell you what is your sweet spot so that you're not owing too much, you're not going to have this huge refund. It's going to kind of be right where you need to be.

That's a wrap everybody. Thanks for tuning in. Hope this was a helpful show for all of you tuning in, even though maybe you didn't ask any of these questions, it is bringing value back into your life. It's almost the end of the month, so let me know what your money questions are before I go on a little bit of a maternity leave. Of course, the show will always go on, but we want to make sure that we create a nice little bank of questions so that we are ready to go fresh when I get back from my two-day maternity leave. No, I'm just kidding. It will be a little longer than two days. It's certainly not going to be this like — You know, Facebook gives their employees six months, I think, paid.

**[0:26:19.3]**

**SY:** I know, it's crazy.

**[0:26:21.4]**

**FT:** If we lived in New York, forget it. I would be able to take that for a year and get my job back. When you are self-employed, no such thing, but that's okay. Good thing is I like my job, so I'm happy to be here. Next time, maybe, there'll be a little bit more of baby noises in the background. That will be something, right?

Sophia, thanks so much for your help, as always.

**[0:26:43.3]**

**SY:** Of course.

**[0:26:44.3]**

**FT:** If you have any questions for me, it's really easy, to go to [somoneypodcast.com](http://somoneypodcast.com), click on Ask Farnoosh, or leave a voicemail, and we will add it to the queue for Friday. I am redoing the website, so at this point I don't know where we are, if it's launched yet by the time you hear this episode, but very excited to unveil that, if not this month, in February, early March. Stayed tuned for an exciting unveiling of the new and — What the word?

[0:27:11.1]

**SY:** Improved?

[0:27:12.3]

**FT:** Of the new and improved farnoosh.tv and somoneypodcast.com. Thanks so much for tuning in, and I hope your weekend is so money.

[END]