

EPISODE 599

[ASK FARNOOSH]

[0:00:34.5]

FT: Welcome to So Money everyone, I'm your host Farnoosh Torabi, it is July 14th 2017, welcome to the show, happy summer, we are really in the middle of summer right now and in a couple of weeks I'll be heading out east to the beach, I'm looking forward to that, I haven't taken a vacation since last summer.

That's how busy I've been. Hope you all are enjoying the relaxing season, maybe taking an early Friday today and getting ahead on your weekend. I have a special cohost today as I do now every Friday.

Of course, if you want in on this, it's very simple, just go to somonypodcast.com and you can click on ask Farnoosh and let me know there or you can email me, Farnoosh@somonypodcast.com. Let me know that you'd like to join in on the Friday fun as we dig to the mail bag and answer your money questions, love having a cohost with me to go through what's on your money mind and today we have the woman behind a clevergirlfinance.com.

If you may already know who I'm about to introduce but Clever Girl Finance is a hot and up and coming financial blog for women by a fabulous woman, her name is Bola Shakinbi and she's here. Welcome to the show.

[INTERVIEW]

[0:01:51.1]

BS: Thank you so much Farnoosh, I'm super excited to be talking to you today.

[0:01:55.1]

FT: I'm super excited to be talking to you, you know, as I said before we were live, I said you know Bola, I'm familiar with your brand, I think you got a wonderful job developing a very cool approach to money topics and your audience seems to be largely women, you have a certified financial education instructor license, what does that designation, should I get one?

[0:02:19.3]

BS: You might not need one Farnoosh, it's the CFEI and I think you're already way past that to be honest. Yeah, it's been very helpful.

[0:02:30.0]

FT: I don't know man, I thought about getting the CSP but I found that that actually was really restricting as far as the way that I like to give my advice, I have to be really watered down and very careful about what I say because I could get sued.

[0:02:46.1]

BS: Yes, I actually looked at the CFP too and I'm still kind of on the fence about it especially because like you said, in terms of giving advice and how you have to say things and things like that.

[0:02:57.6]

FT: Yeah, I find it's really boring when you sometimes have a CFP and you can't really go there with the topics or get brutally honest which is what I like to do. Tell us about clever girl finance, want to brag about you a little bit you know, Bola ladies and gentlemen saved \$100,000 when she left college.

When most of us get into \$100,000 in debt, not most, some. You were able to save six figures. Clearly you know a thing or two about managing your own money and now you're teaching the masses. What was the idea behind Clever Girl Finance and how did it come about?

[0:03:32.4]

BS: Sure, Clever Girl Finance is like you mentioned, the platform to empower women to take charge of their finances and the idea for it, the inspiration from it really comes from a combination of how I was raised and my own personal experiences with money as I've gotten older. I'm originally from Nigeria and I grew up in a family where my dad was the bread winner, my mom was a stay at home mom and as my mom got older, she has four kids, she got older, she started to see experiences that her friends were going through that she just didn't like.

For example, friends would unfortunately get divorced and be put out with their kids and because they were not involved in the family finances, they would be left with nothing or in more unfortunate scenarios, their significant others would pass away and again, because they didn't have any knowledge about their family finances, it was just really a bad situation.

She decided that she didn't ever want to end up that way even if her and my dad stayed married which they did, she wanted to be able to contribute to her family finances and build wealth with my father as a team. She decided that after she had me, I'm her last child that she was going to go back to school, she never went to college, I went with her to her college classes.

She got her undergrad degree and she got her MBA and she started working and hustling and doing different things to save money. Fast forward several years, my father and my family went through a financial downturn where my father had to retire about 15 years earlier than he had planned and in the grand scheme of someone's financial planning, that's a huge deal and one of the things that my dad had done for my brothers was he had sent them — My three older brothers, he had sent them to school abroad in Europe and in the United States because at the time, Nigeria was experiencing some economic and political instability and so colleges and professors were on strike for months on end very often. When this financial downturn happened and my father had to retire, he was basically like, "Listen, you're going to have to go to college here.

I can't afford to send you to school abroad given what's happening with us." At that point, my mom stepped in and she said, you know what? "I have the money, I'm going to pay for you to go

to college” and she paid for me to go to college in three countries and she paid for it in cash and it was a huge pivotal moment for me.

Fast forward several years again, my next pivotal money experience was being able to save \$100,000 in a little over three years earning 54k before taxes which is really like \$40,000. It was just something I challenged myself to do because of my background and what I saw my mom experience with her friends.

The goal with Clever Girl Finance is really to make the conversation around money easy and normal for us as women and to provide women with the motivation and encouragement that they need to work on their financial goals regardless of where they are in money.

It’s also built on the foundation of no shame and no judgment because in my experience, a lot of women are hard to themselves. Regarding the mistakes they made with their money. I feel that it’s all about realizing that everyone makes mistakes and it’s about using what you learn from your mistakes as your stepping stone towards your success and establishing the right mindset around what you want to accomplish, that’s in a nutshell, clever girl finance.

[0:06:43.6]

FT: In a nutshell. Well Bola, what you’ve accomplished is not easy or usual. I think saving \$100,000 in your early 20’s is extremely rare, I get that you wanted to kind of carry the torch and continue to live out your parent’s values. But why put so much pressure on yourself? That’s a lot of responsibility and challenge in your 20’s to do that, was it — what was it, what was the voice in your head telling you?

[0:07:16.0]

BS: I mean, one of the biggest things for me is the fear of being broke and also, I watched my mom console many of her friends, I watch her friends have to come and stay with us for months because they had nowhere else to go and my dad would always tell me, I want you to be your own person, you must never be a liability on a man.

A man is not a plan. Stand on your own two feet and I just wanted to, at the time, to me, I was young, I was about 24 years old and saving that money was a challenge and I was like, if I can do this, if I can cross the six figure mark with my savings, imagine what I can do and it was a challenge for me. That's really why.

[0:07:54.1]

FT: Did you always want to help others with their money? At what point did you decide, I could do this for a living, I mean, obviously you were well for yourself, were you always that girlfriend that you're friends were going to for advice and finally just decided to formalize it and make incorporate?

[0:08:11.9]

BS: yeah, when I started learning about money because I moved from a different culture, different country and you know, money in America is different and I started learning about money, I would talk to my friends about it all the time, I was the annoying girlfriend who always talked about money and everything I learned, I shared.

As I got older, I got married, I had kids, I started to see some of what my mom was experiencing happening with her own friends with my own friends. I was getting to the point where I love my job, but I didn't feel accomplished and I didn't feel like I was working in purpose and I wanted to spend more time with my kids, I was making a long commute into New York City and I was like, "What can I do that I'm going to love that really matters" and it was money.

Talk about money, teach women about money, you love money.

[0:08:57.7]

FT: That you do, Clever Girl Finance has a blog, there's a podcast, there's a chat series, you probably have a course I'm guessing?

[0:09:04.3]

BS: Yes.

[0:09:06.1]

FT: how did I know that? You are multi-platformed, I love it. You're perfect for this cohosting gig because you come to the table with a lot of financial insights and our first question is from a female, Heidi and she's left a voice mail, we'll listen to her question in a second but just to preface, she is someone I think that is in the same camp, a lot of young millennial women and men where she's kind of at a crossroads career wise, she's not really sure what to do with her professional life and she's got these student loans so she's got some pressure financial pressure from that.

But doesn't want to like, I think well, you'll listen to it, here we go. Go for the question. Here is Heidi

[0:09:53.3]

Heidi: Hi Farnoosh, my name is Heidi, this is a question about career development in the fiercely competitive millennial job market. I did my masters in the US, I did a highly competitive internship and I beat out eight other interns for the only available position. I worked that for a year and then my visa expired and I had to move back to Canada.

Since moving home, I sent out hundreds upon hundreds of emails, resumes, tailored cover letters et cetera. I ultimately cast my net wider and ended up getting hired somewhere not at all related to my field and doing secretarial work, Triage and emails and you know, making restaurant reservations et cetera.

I sort of took this, well I took this job because I had student loans I need to pay down and I continue to send out resumes, hoping that something would happen, I put myself in front of anyone that could be of help and I've been doing professional development activities like getting licensed here, volunteering, reading relevant stuff, blogging, all this kind of stuff, talking to people, trying to make connections.

The reason I started considering applying outside of my field because at least maybe I could get something where I would be better compensated and it would be more challenging. What are your thoughts on sort of jumping ship, giving up as it were and do you have any suggestions? Thank you very much.

[0:11:19.0]

FT: Okay Bola, I feel for Heidi you know? I didn't know if the millennial job market was so competitive but I guess it is, there's a lot of people graduating from college right now and working and wanting work.

She sounds like a super high achiever who got pretty far but since going back to Canada, I think she feels like her options kind of went away should she, I guess it's really two paths she's considering, continue to stay in this job that she doesn't love, continue to apply for a work that seems to be not, she seems not to be getting more meaningful work or maybe changing careers entirely to a role that would pay better where she'd be a little bit more challenged but that would require totally jumping ship. What do you think?

[0:12:07.9]

BS: I think there's absolutely nothing wrong with her casting her net outside of her field and you know, she doesn't have to veer too far out, she can look in a semi-related field, and I can definitely relate because I studied computer science in college and I thought I was going to be a programmer, a software developer and when I came out of college, I couldn't find a job there.

I looked for jobs...

[0:12:29.8]

FT: Really? You as a woman can couldn't find a job in tech? What?

[0:12:35.8]

BS: I know, surprising right?

[0:12:38.2]

FT: All we need now is more women in tech and we can't find them and there you were standing with the diploma.

[0:12:44.1]

BS: I know, I looked for a job outside of you know, programming and software development and I found a job in business strategy and I kept my options open, I still was looking for jobs in where I had my degree but I ended up loving my job. As time went by, I actually was able to gain bigger opportunities because when I eventually did get a job in technology strategy, all of my business experience was relevant and it got me a higher income. Keep your options open and keep looking for jobs in your field even if you take a job outside of your current field.

[0:13:17.8]

FT: Yes, here's the thing and I think you may agree Bola, Heidi, you'll never find your perfect job in your 20's right? Or at least in your early 20's, we never have that dream job that we think we're going to have and it's not to say that you're not going to enjoy your work, you're not going to find fulfillment at work but you know, that perfect job won't exist because you still haven't figured yourself out and that's what your 20's are all about.

Enjoy the ride, I hope that you are even in this job that she's at doing secretarial work, it may be not what she had imagined herself doing but forget the work, maybe there's some interesting people around you right? Maybe there are some other interesting projects going on around you that you can tap into.

Take advantage of your environment, of your resources and maybe the job description isn't exactly a dream but where you are, who you're with could be very rewarding, you just have to kind of put yourself out there and speaking of putting herself out there, I love that she's

volunteering, she's blogging, she's getting licensed, this is the exact right stuff to be doing right now to continue learning and putting yourself out there.

Sending resumes out is not how people find jobs these days. For the most part, it's through network, relationships, connecting with people. As much as you can Heidi, putting yourself out there challenging yourself, meeting new people, introducing yourself, even though sometimes you hate it, just you know, getting out there I think is a great investment of your time and no doubt I think this time next year, you may find yourself in a much happier place and a place that maybe you don't even think you would be in but here you are and you're happy.

That would be my advice is just kind of you know, give it time, do the right moves which you are doing and yes, cast a wide net and like you said Bola, maybe look at some tangential careers or industries where you can maybe it's not like jumping ship entirely but you're pivoting a little bit, we like that word around here, pivoting.

[0:15:29.2]

BS: Exactly, keep your options open Heidi and enjoy the ride and do things you love while you can do them now like volunteering blogging.

[0:15:37.8]

FT: I know, because we have two kids, forget it.

[0:15:39.5]

BS: I know.

[0:15:40.5]

FT: I know Bola you have twins. It's a lot more challenging when your life gets fuller and we love our families and we wouldn't trade them in for the world but you know, if I could go back in my 20's, I think I would do more connecting and trying new things and taking risks.

Okay, Catherine, why don't you read Catherine's question for us Bola? She's overwhelmed.

[0:16:07.6]

BS: Okay, she says that she's totally overwhelmed by her debt and she doesn't know where to begin so she'd like your help. She has both credit card and medical debt and they're as follows.

She has one credit card with \$2,900 on it and it has a 16.9% interest rate, she has another credit card with \$4,800 on it and it has a 16.24 interest rate. A hospital bill worth \$2,100 which is now in collections and so that brings her total debt to \$9,800 and she brings home roughly \$1,100 every two weeks from her job. How can she tackle the debt while also trying to save?

She's 35 now and doesn't want to be 36 with a mountain of debt.

[0:16:50.4]

FT: Before we get into the math, I think that I will take a page out of a recent interview I had with John Kapateneas, he is a producer for ABC news, he was on the show earlier this summer, this guy got out of over \$100,000 in debt, that's a combination of credit card debt and student loans within two years and how did he do it? He said, Farnoosh, how fast do you want to get out of debt depends on how uncomfortable you're willing to get.

Catherine, how uncomfortable are you willing to get? You're about \$10,000 in credit card debt, you do not want to be \$10,000 in credit card debt this time next year. Really, there's a few ways you can tackle your debt, it's not rocket science but how aggressive you want to be is really about what kind of tradeoffs you're willing to make?

Now, something that I like to do to come up with cash quickly or get out of debt quickly is make more money. Bola, would you agree? Making \$1,100 every two weeks from her job is probably not going to be enough to pay off this debt and save and pay your bills?

[0:18:02.5]

BS: Yeah, I definitely agree with you on that. She needs to look at increasing her income.

[0:18:06.5]

FT: Yeah, that's what I would prefer to do first instead of cutting back. Now there may be some ways that you can cut back and save yourself a couple of hundred dollars a month depending on your lifestyle, that's up to you and that's your digression but I think that picking up some side gigs, doing some extra work, what would you do Bola when you make a \$100,000 in three years? I know you had some revenue coming in additional to your job.

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BS: What didn't I do?

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FT: Yeah, right?

[0:18:40.2]

BS: So I did cut back. I was on a steady diet, a horrible diet of Ramen noodles and coke but I suppose, don't fight guys but I also started a side hustle and when my friends were hanging out and taking fancy trips and things like that which was great, I was doing wave photography on the side. I got a camera and I was figuring out how to make more money and so Catherine, you definitely if your schedule allows it you want to look into increasing your income.

Can you get a part time job? Look at cutting back and it might not save you that much but you want to think about becoming aggressive with paying off this debt because when you look at it 90, \$100 and I don't mean to minimize it in any way it's not that much in debt and you can definitely pay it off within a year but like Farnoosh said, you have to decide how uncomfortable are you willing to get.

[0:19:33.5]

FT: You know making extra money on the side is not just a short term opportunity to pay off debt. It could turn into something more exciting, you don't know. I mean putting yourself out there again like we were talking about earlier with Heidi's question, trying new things, bringing in extra money in the meantime you are paying your bills more aggressively but it could inspire you to shift your career or do this side gig more permanently.

With getting out of debt, there's the snowball effect where you start with the debt that is the least amount, pay that off first so you feel really good and then you move onto the next highest balance and you aren't really interested in interest rates and at this point, it sounds like her interest rates are pretty even across the two cards, 16.9 – 16.24. The hospital bill is in collection and I would say that before you pay that off Catherine call the collections agency.

And see if they will negotiate with you and as part of the negotiation, you want to be a 150% sure that when they report how you paid off this debt that it says that it was paid on your credit report so that won't negatively impact your credit any longer. So that it actually goes to benefit you down the road that you did pay this off and you want to make sure that that is writing. You can also do the avalanche approach.

Which is to start with the lowest interest rate which is at this point it's a fraction of a difference but it is that card that is with \$4,800 on it 16.24%. So with that card, I would do a little bit more than the minimum and paying the minimum on the other card and the hospital bill. If you can negotiate that, lump sum negotiations usually get you the best kinds of deals. You say I am going to pay you \$1,500, I'll wire it over and it will be in your bank account, let's call it a deal.

And then the only thing that you want in return is to make sure that your credit report reflects that you paid it. So yeah, that's the math but really I think to do this aggressively in 12 months you need to bring in more money or get rid of some major expenses, maybe move in with a friend or a relative for a year and cut back on rent. Maybe on top of that, you go on with the Ramen and Coca-Cola diet like Bola did or some variation.

But you get the picture Catherine. I think people know what they have to do. They know, they know they can't keep the status quo if they want to get out of debt. They know they have to make some big shifts but then they ask me because maybe I'll smack them with some reality, I don't know. It helps to hear from somebody else.

[0:22:19.7]

BS: Farnoosh I'll just add that I think that having a debt repayment plan will help her manage that overwhelm but I also think that a great motivation for her will be to follow the journeys of other people paying off debt especially in the personal finance community and there are a ton of blogs out there. There's a ton of directories of people sharing personal stories and then chronicling their journeys and their challenges how they pay off debt.

And like I mentioned, \$9,800 if you can increase your income you can get this out of your life very, very quickly so, get aggressive girl.

[0:22:52.1]

FT: Yeah, John Kapetaneas can get out of six figures in two years and also on a reporter salary which is not huge. He did a lot of extra shifts, he worked constantly he said and that was his tradeoff. He didn't have a life for two years now he's debt free. Okay Monica, she has two questions for us, one on investing, actually both on investing. She first wants to know Bola she works with an investment platform.

These robo-advisers which we talk about on the show, I'm a fan for the most part of these automated platform. She says they charge a monthly advisory fee of a quarter of a percent and then there is a fee embedded in the cost of the ETF averaging 0.21%, she wants to know if this is a good deal. I think so. I think it's probably as good as it gets, right?

[0:23:44.6]

BS: Yeah, I agree and kudos to her for making herself aware of the fees.

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FT: Yes.

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BS: Not a lot of people do that.

[0:23:50.6]

FT: Right, people here should know what their fees are and they're like, "Well what do you mean? I pay my adviser 1% isn't that just it?" and I say no, no, no. You've got to look under the hood and they go, "How do I find this out?" and I say, "Just ask." If you are working with a financial adviser or you have a relationship with one of these automated platforms like Wealthfront, Betterment, you are a 100% in the right to know what these fees are.

And usually they'll be very upfront, they'll be in their frequently asked questions section or about us. It's there, you just have to tunnel time into their websites but they will tell you what the average or the exact fee is for every single investment that they are putting your money towards in your portfolio. On top of that, there's usually an additional fee. Now 0.25% relative to the usual 1% to 1.5% that certified financial professionals will charge you is a huge saving.

And remember, these fees compound right? You are not talking just about a one-time fee. This is a fee that you will be paying continuously for the duration of your investment period and it compounds and so that's why fees are so important to be aware of and to avoid I think because by the time you retire, you are talking six figures potentially in just fees that you could be paying that you don't have to be paying.

So good work with that and then she's got another question, where she's got \$30,000 for a house down payment and wants to know if now would be a good time for her to buy an investment property. She has no debt aside from a \$9,000 balance on a car loan. I don't know much about her financial situation other than what she's told us and I don't know where she even lives. So it's important that you do survey the market Monica.

So it's one thing if you have the financial bandwidth to invest in a home and as an investment, we are not talking a residence that you would live in full time like maybe this would be a rental property, you need to survey the market. What will it require for you to become cash flow positive, what kind of rent is the market getting right now and what will you need to do in order to make sure that you are not just breaking it even but you are actually cash flow positive?

Because that's only really when an investment property would make sense. You can't be a 100% sure about everything but do your research. Maybe work with a real estate adviser or an agent who knows the location where you want to invest very well, talk to other investors in that town or that area, get to know what's working, what's not. Just know that for a second homes, the bank usually want a larger down payment than they would with a primary residence.

And they are a lot more critical of the loan applicants. You want to make sure that you definitely have a very low debt to income ratio. So if you've got \$9,000 left in that car loan my guess is that if you have zero dollars on that car loan, that would mean maybe a better interest rate for you on the loan or a better chance of qualifying for the amount of loan that you need. Do you have any property Bola or do you own, do you rent?

[0:27:14.2]

BS: Yeah, I actually own and rent to other people and so just based on my experience and what I know about how investment property works, I would definitely tell her that if you find an investment property that you want to buy, you want to determine what you need to ramp up a bulk of your emergency fund by and you're going to have to factor in the cost of maintenance because now that you are the landlord, you are going to be responsible for a lot of things that have to do with the house.

You want to make sure that you compare those costs against what the property is going to be earning you and it's also really important to keep the major expenses in mind before you purchase the property. So things like the roof, air conditioning systems, heating systems, any renovation work is going to have to do as people move in and out of your property, those things

cost a lot of money and you want to make sure that when you factor in those expenses overtime that you are just not breaking even.

But you are becoming cash flow positive as Farnoosh mentioned so it might sound really cool to own an investment property because everyone is doing it but you want to make sure that the numbers work for you.

[0:28:19.6]

FT: Yes and thank you for bring up all those ancillary costs that we don't always factor in. We usually just factor in the mortgage, real estate taxes, maybe insurance but we forget about repairs and maintenance and air conditioning. Great point and she also says that she liked to co-host. Well Monica, I'd love to have you so write back and tell us a little bit more about yourself and a way to get in touch and we'll hopefully make it happen.

And last but not the least, a question from Andrea. I'll let you tell us what is on Andrea's money mind Bola.

[0:28:51.7]

BS: Okay so Andrea says, "Our new mortgage company does not accept by weekly payments. What solutions are there to handle by weekly payments without extra fees?"

[0:29:01.1]

FT: I would go back to the bank and ask, "Hey I like to get a little more aggressive with these payments. I don't want to have a 30," — maybe you could refinance to a 15 year mortgage which would be a little more restricting but maybe ultimately giving you the same opportunity of getting out of debt faster. Maybe you could do one extra monthly principle payment a year and that's maybe okay with your bank.

I would say call back the lender and speak to someone. Let them know what your goal is and what you can do, what are the work around to avoid fees. Any advice Bola?

[0:29:35.7]

BS: I think that yes, like you said she definitely needs to call and find out what the associative fees are also if there are any fees if she makes an extra payment on top of her monthly payment. So there is a simple hack that she can do because I know a lot of people want to make by weekly payments in order to be able to pay an extra mortgage payment in a year. So what she can do is she can take her current monthly mortgage payment and divide it by 12.

And then take that amount that she gets and add it on top of her monthly payment but have it designated to her principle. So for example, verbal illustration, if her mortgage is 1,200 she can take that 1,200 divide it by 12 and she'll get a \$100. Take that \$100 and add it onto your monthly payments and start making payments of \$1,300 a month and you will make up that extra payment without getting the fees for by weekly payments.

[0:30:25.9]

FT: There you go, that's a great tip. Thank you for that, so just ask your mortgage company. I'm sure they're familiar with what you want to do and they probably have other borrowers that are in the same camp and hopefully they have a work around for you. I've gotten these letters in the mail before it's like, "We can send a by weekly payments for you. It's just \$360 to do it" and I'm like, "What?" why would I pay you to do something that takes me six seconds?

I could go online and instead of audit, like you say, instead of paying \$1,200 do an automatic \$1,300 a month. It's ultimately the same effect and make sure, like you said, that that extra payment does go towards principle and it's not just an additional "mortgage payment" that includes interest and principle. You want it to go specifically towards principle because that will ultimately knock down your debt faster and you'll pay less interest overtime. Bola, thank you so much.

[0:31:25.5]

BS: This has been awesome, thank you so much Farnoosh. It's an honor and a pleasure.

[0:31:29.9]

FT: Tell us about your podcast. I know that this is something that you've also done as an additional way to get out there and reach your audience.

[0:31:41.1]

BS: Yeah, so I have a podcast called Clever Girls Finance. It's on iTunes and Sound Cloud and it's a very laid back conversational podcast of me just sharing money advice and my personal experiences with money and having guest on. It's a fun conversation, very easy, no judgment, no shame and sometimes, I make people laugh too. So definitely check it out.

[0:32:03.2]

FT: Well if coming on the show was any snap shot of what you are like on your podcast I'd say everybody go and subscribe because you give great advice, you are totally approachable, you are friendly and we did have a good laugh.

[0:32:16.0]

BS: Yeah, it was fun.

[0:32:17.3]

FT: Clevergirlfinance.com, any other ways to find you?

[0:32:20.6]

BS: On Instagram @clevergirlfinance. I have a really fun community over there so join us and on the podcast, Clever Girl Show.

[0:32:28.8]

FT: Will do, Bola thank you and thanks to everyone for tuning in. Again if you want to ask a question for us on the Friday episode, go to somonypodcast.com and click on “Ask Farnoosh”. Hope you have a great weekend everyone, I hope it’s So Money.

[END]