EPISODE 644

[ASK FARNOOSH]

[00:00:34]

FT: You're listening to So Money everyone! It's Friday, October 27, 2017. Do you have your Halloween costume picked out? I think we're going as all the characters from Toy Story. Oh, gosh! I can't believe this is my life. My son really, really, really wants Buzz Lightyear, which is adorable, and so I think our daughter is going to be Woody, cause that's easy and, you know, just throw on some jeans and a plaid shirt and then my husband and I, we're debating. Are we going to be that family where the mom and dad also dress up? Well, you'll have to visit the social media to find out.

In the meantime, It's Ask Farnoosh Fridays, and we have a special co-host with us, Dan Andrews, whom I met recently had a conference in Dallas, The XY Planning Conference, which as many of you may know if you listen to this podcast regularly, we feature many of the financial planners from this network on the show because it's very appropriate. They work with people like you and me, who are adults who may be are a little late to the adulting thing or have gotten out very far but we want to get a little bit further along. We want to get out of the student's loan debt, we want to buy homes, we want to invest more aggressively with intention, and so we don't have a ton of money, right?

We don't want to, like, give it all to some planner whose going to just toss it in the stock market. We want really someone who's going to work with us closely and understand where we are in our life stage and one of the members of XY Planning is Dan Andrews and we have the privilege of having him join us today to help us to really give some behind, really, I love having financial planners in the show because they correct me. They come with all the facts and he not only comes with his facts, he says to me that he’s talked to several other financial planners before coming on the show to make sure he's got even more ammunition to help us live a So Money life.

Dan Andrews, welcome to the show!

[00:02:38]

DA: Yeah, thanks for having me Farnoosh! I appreciate your hard work and happy to be part of it.

[00:02:43]

FT: Well, thank you! I appreciate your hard work. Tell us about a little bit of your practice, who you help, and you have this really cool phrase that you've coined to describe your ideal client and it's called "The New Adult". So talk about all of that.

[00:03:02]

DA: Alright! well, I have my own independent fee on a financial planning called Well-Rounded Success and I love helping new adults! So these are people that are right out of college or sometimes up to their early 30's who just don't know what personal finance really is, and so, I go through a month by month program where we go through a financial literacy topic and then tell them what they need to know about their unique circumstance, as well as a personal growth topic. So, like, the whole point of that is to hope that they become a kind of more confident individual as they kind of go through their 20's and 30's so they don't wake up and they're like 35 being like, "What the heck did I just do with my adult years?"

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FT: That's not the quarter life crisis, that is like the tri-life crisis? Being in your 30's you wake up and you're like, "Oh my gosh!" Are you fine that people aren't having quarter life crisis and now they are having like, 35-year-old crisis?

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DA: Well, I don't know about the 35-year-old crisis, but I definitely went through my own quarter life crisis that at the age of 28, which is kind of what spawned this entire program.

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FT: Lots of people want to work with financial planners, why not? Who wouldn't want another person, an objective person who's more knowledgeable looking over your finances. But we're not really sure, how to find one, how much will it cost me? How do you address those concerns?

[00:04:29]

DA: Well, I'm a big advocate for the fee-only financial planning. That's the Kool-Aid that I decide to drink. But for the average person that is listening to this podcast, just get ammunition of when you go discuss your financial life with financial professionals and that ammunition is questions. Find what questions to ask these financial professionals, so that you can find someone who's going to really treat you like a relationship, versus a sales transaction.

So, like some questions that you can ask are like, "Are you a fiduciary?" And that's when somebody's kind of obligated to act in the best interest of their clients which is kind of a new law that was passed by the Department of Labor in June of 2017. But you still need to ask those questions to make sure the person is looking out for you.

[00:05:16]

FT: I like how you described that "not someone who is looking at you as a transaction but really a relationship" and that is true and I have run into people who I've, you know, interviewed to be my planner and I did feel like I was just a transaction and, you know, it doesn't feel very nice.

Dan, how can we learn more about you? And you mentioned asking questions, we're going to ask you some questions next and me from the mail bag but how can we learn more about you? Tell us where we can contact you?

[00:05:45]

DA: Well, you can find out more about me by going to my website, Wellroundedsuccess.com and one of the things that I love to do are monthly newsletters where it will actually include financial tips, as well as a corny joke at the end of the newsletter and I get a lot of people that tell me that they only open my newsletters so that they can scroll down for the corny joke and I am like, “You're opening my newsletter and you're scrolling down? Those sound like wins to me.”

[00:06:09]

FT: Yeah! ha ha. That's one way they get the nerd to read. That's great bait. Ok, Dan, let's go through these questions, shall we? And I know you've gotten an advance look so you come prepared. The first question is from Alana. She has about $60,000 in student loans, the rates are between 6 and 8% and she has 15,000 in savings. She wants to know, “Should I stop saving to pay off my loans or keep saving?”

Well, I want to know more a little bit more about her financial situation and I'm sure you do too, Dan. I mean, I would also want to know Alana, how far is that $15,000 going to take you in the event of a job loss or disability or just want to take time away from working and can that sufficiently keep the lights on and keep you fed and keep your landlord paid for the next 3, 4 months? 5 months? You know, so that's the first thing, and if that is not the case, if that's going to last you like, a few months, then maybe you would continue saving just so that you can get past that 3-month threshold of rainy day savings. It's nice to be in like, the 4 to 6 month-zone.

You know, $60,000 in student loans with rates between 6 and 8%, I would — I am guessing those are federal loans but then, I don't even know? Because like, they could be private. Look into modification programs maybe? Maybe there's like income-based programs that these are federal loans that you can qualify for, which can help to make those loan payments more affordable for you every month, than shoring out more cash for savings. But look, student loans, relatively, not the nasty kind of debt that credit cards are and if you can somehow work it so that you can pay the minimums every month, stay on time, stay current with those student loans while saving something. I think that's a win win.

[00:08:11]

DA: I think she needs to give herself a pat on the back for at least having $15,000 in savings right out the gate.

[00:08:18]

FT: Yeah!

[00:08:18]

DA: Then, a question that I had was, what are these savings for? I mean, is this just lumped in a &15,000 saving account? Or is this for specific goal, specific project or is it just your emergency fund? Then once she finds out what she needs to be saving for, if it, she needs to save more money as you kind of said if like, okay, you need to have at least 6 months of runway in case your income is taken away. Maybe, she adds more to it or she can redirect that extra money that would have gone to savings towards other financial goals like her student loans.

[00:08:54]

FT: 6 to 8% is a relatively higher than average interest rate, I would think. On a student loan like 8% is a little bit on the higher ends, 6% seems to be pretty standard, and that seems to be the same kind of return she may get in the stock market. So, you know, as far as where to put the money, where she's going to get the more bang for her buck one, I agree with you, what are you saving for and do you have a deficit there? Our goals are very important, we want to achieve them, and it's like reinvesting in your happiness and in your fulfillment. So that's priority and if that money and savings is going to get you that fulfillment, that fulfilled place, then prioritize that.

But if that's just for like, you know, rainy day, and you're covered, then I think it's a, you know, it's kind of a battle between, "do I now put money in the stock market? Or my retirement plan? Or the student loans," which are about the same interest more or less. So, that point maybe it's about your own comfort zone, but then if you don't have any retirement savings, Alana, I would say the next thing will be retirement and the loans would then go like to the next rung on the ladder.

I don't think it's important to like prioritize students loans. If you're able to pay them off comfortably every month and simultaneously save, then I think that, and that works for you, then stay on the course. The loans are, these two loans are the term loans. They are going to expire within ten years, hopefully, and you'll be able to move on from there. If you really wanted to get more aggressive with the students loans, you can do a 13th payment every year towards principle only and that'll help knockdown not only your interest costs, but also the term of the loan overall.

Anything else to add to that, Dan?

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DA: I would add that there's a good student loan calculator on Nerdwallet.com that she can like, actually go an and plug in some numbers to kind of, find out what works best for her situation. Then, if she is really dealing with a lot of student loan anxiety, I know that Debt, Sex and Money is another podcast out there, and they did a great student loan series recently. So ig kind of goes into a lot of the psychological aspects of student loans as well as actually, actionable items and resources that really might stick out to Alana's situation.

[00:11:21]

FT: Yeah! That's a really awesome podcast and also students — since we're giving out some resources studentloanhero.com is also a popular website for those that want some additional materials, support resources around students loan repayment. Alright! Super!

Next, Adam wants to know, “Should you pay off debt immediately once you get paid or wait to see what's left over at the end of the week once you pay your living expenses?”

I feel like if you wait you'll never pay off the debt because there's always going to be something else you're going to pay for, right Dan? I mean, that's kind of why we say, pay yourself first, pay your debt first, I always paid the boring things first. I always cover the boring stuff first. That way I can have more of, like a calmed sense of spending when I am going after like, you know, entertainment and living cost and clothing and things like that. What do you think?

[00:12:14]

DA: Well, Adam, you kind of have to do both, unfortunately. So, he has to make sure that he pays his living expenses, so he can eat, sleep, be well emotionally and physically, and then also be able to pay the expenses that actually keeps his income so he can keep those pay checks coming in. For example, if he has to like take the bus to get to work every single day. That's an expense that he's to pay.

But with those minimum pay — or with the debt payments, it's important that he pays the minimum payments and, then also build that emergency fund so that he doesn't have to go in more debt incase something happens. By the way that he's asking this question, I wonder if Adam's dealing with some anxiety or stress when it comes to just handling all these bills? That's where you can really leverage online bill pay and kind of automatic saving strategies, so that you can set up these systems that work for you in the background, so you don't have to be on top of it every single week.

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FT: And that includes your debt payments too. So what you could do, Adam, is figure out what is, and I agree with you, Dan, that at least pay the minimums. But if you can do better, do better. Maybe, a fixed payment every month that is the minimum plus an extra $20 bucks, an extra $50 bucks every month, I mean, maybe even more if you have it and that' s something that you just set your bank or bank basically to hand over to your credit card company or your bills and that way it's automated. You don't have to have to look at it all the time you know, that your bases are covered there.

But I do think that if you have a lot of debt that it should inform you as far as what you can afford on the living expenses column, right? So, it should be top of mind and it should be something that should — unfortunately, you know, it doesn't form how much you can afford in other areas. Because, if you — and so I get what you're saying, Dan, about like, you do you both at the same time, but I do think that I want to reiterate that the debt needs to be a priority. Just like saving, just like paying your bills, we often think of debt payments as a left over. Like an afterthought. You know, “Once I pay everything else, so, if I've got it, I'll pay it, if I don't, well, you know, maybe next month.”

But I think that you need to start prioritizing your debt and then if that means cutting back on your living expenses, I'm not saying you got to go live in your car, but maybe it means rethinking your housing situation, rethinking your transportation situation? Because, as one of my famous guests once said on the show, and he's not really famous but his advice has become really famous. I hear it from a lot of listeners repeating it. That the how fast you are able to get out of debt and how successful you are able to get out of debt, is directly correlated to how uncomfortable you are willing to get.

So, how uncomfortable are you willing to get, Adam? if this is something that is really bothering you, it's on you mind, you can't sleep at night, you want to get rid of this fast, then you’ve got to look at your living expense column and think about what are some, what are some, maybe some radical changes you can make in the next 12 months? And it's just a short-term strategy, you'll be out of debt faster than you know it.

Alright, we have a question from an anonymous lady listener and i'll let you take this one for us Dan. Why don't you tell us what's on her money mind?

[00:15:58]

DA: Very good. So, she's 31 and a social worker at an urban alternative school. She recently became interested in going back to school for Integrated Health Coaching. But, the thought of taking on more loans scares her. She currently has $70,000 in student loan debt, $8,000 in credit card debt and $15,000 on a car loan. She says, “I'm planning to leave my job at the end of this academic year and I'm trying to pay off my credit card debt and save three months of my bills, but I'm worried. I'll be jumping into another job I'm not happy in, if I don't go back to school.” Any advice for her?

[00:16:36]

FT: I'm wondering why she's going to quit her job and then try to pay off the credit card debt and save? Why not try to do that while you have the income coming in? Is that a silly question? Did you have — was that also something you are wondering about, Dan?

[00:16:50]

DA: When I read this question it looks like she's trying to pay off this credit card debt and save 3 months while she is working. So that's what jumped out to me in the question that I read, and my first gut reaction was, her instincts are right if that's the case where she wants to get those 3 months of bills in that emergency funds and pay off those credit cards before she takes that leap.

[00:17:15]

FT: Ah! Ok! You're right. So, I misheard. You are right. So she wants to do all of these before she leaves her job. She's 31, you have clients in this mindset, right? This age is a very, we are talking earlier, its like, you sort of start to wonder about all your life's choices and you get really mindful about the next few steps you are going to take especially when it concerns your career and so there is a lot of emotion at stake and a lot of mind, sort of like her well being, you know? You want to be in a place where you're happy. How much weight does that carry if it means taking on debt? What would be your advice?

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DA: When I read this question, this is a question I get a lot from my clients and just friends who feel like they're stuck and they feel like the grass will be greener somewhere else, and I would challenge this anonymous writer that is more school, the answer? You don't always need to go to school to gain more skills or the knowledge that you desire. Like, I listen to your podcast, Farnoosh, so I can become a better financial planner from my clients. I read many books, I go to conferences, network with other financial planners. Where if she feels this Integrated Health Coaching career might be that great next step, she can dabble in it and like, dip her toes, versus just jumping in and taking on more loans for a grad school program.

I mean, when I was doing some research about this question, I just Googled like “Integrated Health Coaching Conference” and this one in San Diego popped up, I had no idea who they are, but I saw a bunch of expert faculty members are going to be at the conference, as well as 61 exhibitors of like companies that are affiliated with this field. Like, what great opportunity for her to like, really go network and actually see if this integrated health coaching industry really interests her before she really goes in signs a check for a giant loan to go back to school.

[00:19:14]

FT: Yeah! That's brilliant. What was the website?

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DA: Well, I just Googled “integrated health coaching conference” and this Academy of Integrated Health and Medicine pulled up. I have no idea who they are, so I can't vouch for them or anything, but it's just like a good rabbit hole to go under or go down and then she can also look at like, who are these exhibitors and like, who can I network with to find out if this is the profession I really want to go into?

[00:19:38]

FT: You're totally right, you're 100% right. You’re 150% right, Dan. I think I agree with you in that, maybe you should do a little bit more research and just get out there and talk to people that have done slight pivots in your industry and how did they do it, and how did they do it cost effectively? Because, you're right, college grad school is not the end all.

But let's talk about her students loan, $70,000 in student loan debt. That alone might tell you, “You know what, maybe you should focus on that before you jump into another situation where you're going to have to take on more loans.” But also, you could find programs that don't cost anything, or provides scholarships and grants. There's a lot of ways to get the degree without becoming further indebted. But $70,000 in students loan is a lot to tackle when, you know, you may not be making a lot of money.

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DA: Yeah! That's a great point, and she also has that credit card debt on top of that. So, she wants to make sure she has a plan to aggressively pay that out that off. But what stood out is that she is a social worker, as she said in her email, so she might qualify for the public service loan forgiveness program. So, she should go to the website of studentaid.ed.gov so she can learn more about this program that will actually forgive your student loans whatever the remaining balance is, after 120 qualified monthly payments.

What's nice about this program as it stands is that, if she decides to like, kind of, go do something else for a few years, where she goes in the private industry after being in the public industry, if she decides to go back to the public service industry, then still, that goes to her 120 monthly payments. So like, she can take a few years off and then go back into the public service loan forgiveness program.

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FT: Right! You've really done your homework. I really appreciate you, thank you, Dan!

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DA: I like nerding out about this stuff and I don't get to nerd -

[00:21:39]

FT: You're nerding out, its all good. Its how I like — I love nerdy guests. We want to do one more question, we are running out of time a little bit. But let's do this question from Morgan who says, "How feasible is it to negotiate or lower any fees associated with a retirement account?" She says she wrote over a 401(k) recently, and has paid twice for yearly maintenance. So, I'm guessing maybe once at the old 401(k) place to the new 401(k)? I don't know, it would be odd if it was the same place that was charging her twice for yearly maintenance, right?

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DA: That made me scratch my head a little bit to see if it was twice in the same calendar year, or was it just because she wrote it over in the middle of the year so that charged twice for that?

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FT: Not clear. But in general, how negotiable are retirement account fees? I would guess there are not that negotiable.

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DA: But she does have negotiating power and that is just finding a different provider. And she is comfortable doing that 'cause she already wrote over her 401(k) to someone else. But, like, the fees are really important and good job on her for being aware and being fee sensitive. But, these aren't the only thing to look for when it comes to investments. Like, something that she needs to take into consideration is, which provider aligns with her investment philosophy? Is it Vanguard? Is it Fidelity? Is it one of those robo advisers like Betterment or Wealthfront that's out there?

And if she needs help actually creating an investment philosophy, she can go look at the XY Planning Network website to go find other certified financial planners who can just help her kind of define what her investment philosophy really is and then align her investments with a like a service provider that's not going to nickel and dime her with fees, that kind of can help her in the long run.

[00:23:34]

FT: Yeah, and I would just add too, Morgan, that while some fees like, maybe this yearly maintenance fee isn't super negotiable, but where you do have the ability to reduce fees is the expense ratios assigned to the various investments in that portfolio. So, I would go through all your investments, the mutual funds and all the others and see what is the annual, sort of, the costs basically the expense ratio associated with that fund and if it's more than a percent, I would say try to look for a similar fund that has a much lower expense ratio. Because that compounds and I've than that in my own portfolio and I've swapped out certain investments that

I just thought were not worth it, you know, for what I was paying and I was concerned that I was paying, you know, over time, thousands of dollars for fees that would be taking away from the gains.

Do you talk about that with your clients as well, Dan?

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DA: Oh, all the time. I think, you can't control the financial markets but there are a few things you can control and that's how much you pay to be in the financial markets. So the expense ratio which you can look at morningstar.com for example, you can put in the stock ticker or the mutual fund or ETF and they actually have a line that says the expense ratio there. So, that is something that is one of my like a kind of, go-to resources and first things I look for when it comes to investing, is how much are you paying for these investment securities?

[00:25:10]

FT: Alright! Okay and before we wrap, I just want to give a shout out to Suzette, who wrote in, not with a question, but with an update she says, "I'm a listener, I want to give a big thank you for all you do. I just got a pay raise from $56,000 to $68,000 per year! Thanks for opening my eyes to my financial self-worth."

Suzette, I'm here for you, thank you so much for listening to the show, for believing in the advice that we try to give and incorporating it into your life and obviously making such a huge difference. I hope you enjoy that extra cashflow and you reinvest it in yourself and in your future. Dan, we're making changes here on the show. You've changed lives in the past 30 minutes. I'm pretty sure your advice has changed lives.

[00:25:58]

DA: Thank you Farnoosh, just trying to follow your lead.

[00:26:02]

FT: Oh! Thank you again. Tell us where we can find you?

[00:26:04]

DA: Well you can find me, my name is Dan Andrews at Wellroundedsuccess.com. Also on Facebook at wellroundedsuccess and my Twitter handle is @wrsuccess

[00:26:15]

FT: Alright Dan, thank you so much. Everybody, hope your weekend is So Money.

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