

EPISODE 647

[ASK FARNOOSH]

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FT: Welcome to So Money, everyone. November 3rd, 2017. It's Ask Farnoosh Friday. No co-host today, looks like life just caught up with me and I just didn't have time to schedule a co-host for this particular episode. If you've been following me, you know, that I've been planes, trains, automobiles for the past 3 weeks, travelling, hosting, different things around town and I'm finally home, and it's 4 am, because this is the only time that I found to actually record in this podcast. 4 am on a Wednesday morning, that is 48 hours until this episode airs, so this is cutting it pretty close for me than normal but I actually read an article in The Wall Street Journal that said that 4 am is the most productive hour of the day for a lot of people.

Maybe, not for you and I certainly didn't think for me. This is an experiment, I'm up at 4 am truth be told, I was up at 3:45. My daughter woke up and I tried not to give her a bottle at 3:45 in the morning, because that could turn into a bad habit. But what do you do, parents? I mean, she normally gets up at 4:35 for a bottle and it was like, 3:45. Here's the trade off, if I don't feed her, she wakes up the whole house including her brother and then that's a whole other kind of morning. So, I just gave her a bottle.

But my other friends who have children they're like, "You don't feed a child at 8 months a bottle in the middle of the night because it's like giving an adult cake in the middle of the night." Well, guess what's gonna happen the next night, they're gonna wake up for cake. So, I don't know? It doesn't quite become an evening ritual or mid sort of, middle of the night ritual, yet. But it happens sometimes. So, my daughter basically prepared me for this 4 am, maybe ritual, that's gonna become a way for me to catch up on work and life.

My to-do list right now is this podcast and some other podcasting homework, housekeeping and to avoid social media. But that's been a little challenging. I've actually been on Twitter talking about this 4 am experiment. We'll see. I mean, I'd like to be a morning person. I like to be an early riser and it seems like life is pushing me in that direction. So, all this to say, that I'm really happy to be here. Also, news flash — news flash! I can't believe I buried the lead. This podcast

has reached, just this week, just about like, 24 hours ago, 5 million downloads. I wish I had some, sort of, like, sound effect and I can't really make too much noise because everybody is asleep. But I'm really excited! This is a big deal, it's a big threshold for the show.

Lately, we've been just getting a ton of traffic Thanks to some really great guests including Simon Sinek and others. Also, just been getting some great press around the show lately in various online sites. So I'm just so thrilled this is how we're capping 2017 and so now, I'm under a little bit more pressure for going into the new year, How can I take this podcast to the next level? I'm actually meeting with some people to talk about that, but I'm open to your thoughts, I mean, what do you think? Should I go to video?

I don't really send emails out every single time I have a podcast guest I feel like I don't wanna annoy everybody that's on the email list, but maybe I should start doing that because y'all who are on the email list, you're very engaged and, I don't think you'd mind. I think you'd like — I think you're on the list because you wanna stay connected. So, knowing when there's a new episode is helpful I think. But let me know. What could change? What could improve? Where would you like to see the podcast go?

My friend, Lewis Howes, you know, School Greatness, 45 million downloads for his show and I wanna get to that point. I wanna get from 5 to 45. I know it's not gonna happen in a year but maybe it could. I don't know? I'm just one person running this ship for the most part. I have a great small team, but I'm the one thinking long term, I'm the one who has to sort of, think about next steps so I would really appreciate your feedback. But 5 million downloads, guys! Pretty excited! Thank you so much, to you, first and foremost for being so supportive and just being with me on this journey.

I definitely feel like while a podcast can be this very solo venture, you know, just me, my mic, my laptop, a WiFi connection and I guess somewhere miles and miles away. But I know that I have this very caring audience, you all, and I'm so deeply grateful for you. This is really just an example of what can happen when you build community around something inspiring, which I hope this show is. So, thank you so much and if you would like to co-host Ask Farnoosh with me, I promise you won't have to wake up at 4 am to do this. This is not a requirement.

But if you would like to co-host Ask Farnoosh with me as I've been getting co-hosts now for the past couple of months from the listening domain from the listener ship send me an email at farnoosh@farnoosh.tv or you can go to somoneypodcast.com and click on "Ask Farnoosh" and from there we can get connected and let me know there that you wanna co-host, and hopefully we can find a time that works for the two of us.

Alright, this week we have questions from Christina and James and Jared and Tiffany and Lorena. Things related to the podcast, things related to retirement, employer reimbursements. James is really not happy about the situation with his employer paying him back a measly 53 cents for every mile, when he uses a car sharing service like Uber. So, we'll talk about his dilemma and then some other questions involving home purchasing and everything in between.

So, let's start with Christina, okay? She has a question about her ability to pay off credit card debt and she's been listening to this podcast and saying that it has helped her with her money. Glad to hear that Christina, she says "Your podcast has made me rethink my relationship with money, but for some reasons still can't pay down the \$14 thousand dollars in credit card debt." So she wants to know, what is a good first step?

So, my advice, not knowing anything else and just this fact that you're having trouble with this \$14 thousand dollars in credit card debt. I don't know how much you make, I don't know how much other kinds of debt you may have, don't know how much you have in savings, don't know your spending. So, if you don't like my answer you can always reply and give me some more variable, so I can get a better sense of what you're dealing with.

But I would say, Christina, first step in any debt pay down journey is to not look at the numbers, not be overwhelmed by the amount or your current financial situation, but to get motivated. Sounds like you need some motivation that can catalyze you to actually take the tactical steps to get out of debt. So, the first thing you probably wanna do is think about life after death. How will getting rid of \$14 thousand dollars in credit card debt improve your life, specifically? Imagine it, think about it. What would this afford you?

Will this mean that you can then, maybe, get out of your living situation that you're not too happy about? Would it mean that you could save more which would help you to sleep better at night?

Would it mean that you could be able to get closer to buying that house? taking that trip? Leaving your job? Because as we know and we're financially independent, we have courage and confidence and financial runway to take more risks in life. And, so think about what this could afford you, the few things, the many things or that, just that one really exciting thing and visualize it. Print out a picture, put that picture as a screen saver on your laptop, on your phone, put that front end center, and have that be the carrot to get you across the finish line.

Then of course there are many things you can do to tactically get yourself out of this \$14 thousand dollars in debt. The first is to, obviously look at how you're spending, find the leaks. Take any extra penny that you don't need to be spending on other things and allocate it towards this debt, so hopefully you are paying far more than just that minimum. Do whatever you can to double, triple, quadruple that minimum payment every single month. You can timeline it out if your goal is to get out of debt in 3 years or 16 months or 2 years, whatever goal you set for yourself. Work backwards figure out financially what is that going to mean for you month to month to get out of this 14 thousand dollars in debt and commit to that amount and that means trade offs in your lifestyle and your current spending.

It was my guest John Kapetaneas, who told me and our audience that after he got out of, I think it was like a hundred thousand dollars in debt, a lot of that was student loans, he had this realization that anyone can do it, but how quickly you're able to get yourself out of debt, depends on how uncomfortable you're willing to get. That was a really popular episode. John is a producer at ABC news and also, lately been a real financial inspiration to a lot of people as he's been sharing his own get out of debt journey. So, maybe listen to that episode because there was a ton of takeaway there. But how uncomfortable are you willing to get? That's a good question. Everyone, we should all be asking ourselves, when it comes to trying to get to the next level in our finances.

And, it's not to say that you have to, you know, live a terrible life. I think it's just really goes back to one of the trade offs that you're willing to make, and guess what? it's just temporary, right? It's just temporary. And for John, the trade off was I'm gonna just work my tail off so he worked a lot to the detriment of some a little bit of his health, he wasn't getting a lot of sleep and I don't know if you have maybe, gone back and done the whole thing again the same way, but it certainly did help to get him out of debt within I think a year or two. That's a lot of money to get rid off in just

12, 24 months but it's his story and not everyone's story's gonna be like that but I think that the advice that we need to, sort of, think about what shifts we're gonna have to make. What shifts will this goal require is very important.

But again, it's all about the goal, right? Our money is meaningless without real goals attached to them because, yeah, you could just spend or save or get out of debt for the sake of getting out of debt and saving and making more money, but it's much more meaningful, much more powerful when we can create goals and missions around how we are moving our money. That's my bit of advice for you, Christina, but like I said since I don't know the rest of it, I don't know the whole financial picture that you're facing. This advice may be falling flat but I hope not. I think this could be the pep talk at 4 AM that you need and I look forward to hearing from you and how this is maybe helping you or if you have any extra questions.

Lorena says she just opened up a Roth IRA with five hundred dollars. She has a Rollover IRA with \$48,000 dollars in it and wants to know, should she also open a SEP IRA because she's an independent contractor. Well, Lorena, I do think there are benefits to having a SEP IRA. Now that you're an independent contractor you're probably making, maybe more money than you were in the past and with a SEP IRA, speak from experience, I also contribute to one, you have the opportunity to invest more than you could invest with a traditional IRA, a Roth IRA, you can invest up to, I believe it's \$54,000 dollars this year. Tax deductible, for now, thanks to the IRS.

With the traditional IRA or Roth IRA, you're capped at \$5,500 dollars per year contribution. If you're 50 and over it's \$6,500 dollars a year so it's, you know, \$40 some extra thousand dollars that you can contribute to a SEP IRA and if you're somebody who feels like, you know, you're making the kind of income that could support that and you need to increase your retirement savings, this could be a great vehicle to do that. And you can open it up pretty much anywhere, I have one through brokerage. These are available widely and I would suggest, maybe going first to wherever you have that Rollover IRA or that Roth IRA and seeing if you can also open a SEP IRA there, as well.

Okay, James has a question about — oh, James, his employer is only giving him 53 cents back for every mile when he uses a ride sharing service to commute to and from work. Which is, I find that unusual. So he wants to know should he fight for a full refund at this point? And, he gives a

little bit more background, he doesn't have a car. So, it's not like he has a lot of other choices. I assume James, that you don't also have public transportation, like a subway or a bus? I don't know, this is sort of odd because, I guess, this is just an indication that some companies aren't catching up to the times. Eventually, I think that companies are going to have to change their policies just because I do think people are going to be buying - these people in within metropolitan areas, millennials, we're not buying cars, right?

Pretty soon, I think it's gonna be harder and harder to commend someone to pay for a car than to maybe, create a budget around car sharing or ride sharing. Especially now with the way things are headed, self-driving cars, I just — I see a future where we're not going to be attached to car payments on, you know, a vehicle. Though, look, some people are just car fanatics and I get that. But in general I see that there's gonna be a movement, right? Away from just buying a car outright. So, at that point maybe employers will realize that this kind of reimbursement is not that applicable. Because you're not just paying for gas, right? You're paying for a ride and that's more expensive. So it's more money out of your pocket.

I don't know if there's really anything you can do at this point, James. You could certainly bring it up to the attention of HR and I recommend that you do. A lot of times companies don't change policies until employees speak up and I'm sure that you're probably not alone. Maybe ask around the office, do a survey? Are there other people in your shoes, and if there are, perhaps you could all go in for a group ask? It's always safety in number sometimes we are asking for things at work. They realize you're just not one person but that they could be making a policy change that could benefit a large number of employees. Go for that, I would, I would, that's what I would do.

I would ask around, see who else is in this boat, who's in this camp, can we go in on a group meeting to HR or managers and just say like, "Hey, this is actually a big chunk out of our expenses that we have to pay for out of pocket"? And then I will also talk to your accountant, someone doing your taxes, or your bookkeeper to see if this is something that could fall under an itemized deductible category. Like this is actually an expense that is directly related to the job that you do. If your employer is not reimbursing you much, maybe there is a way to make up for it through your tax filing. So, talk to HR preferably go in with a group and also talk to an accountant about working this into your tax deductions.

Alright, Jared has a question, he was in a fender bender a few months back — hope you're okay, Jared. And, his insurance raised his monthly bill by \$75 dollars as they do. Any website or resources that I would recommend to browse quotes? Absolutely, Jared. So everyone should do this, right? Any recurring insurance bill that we have is subject to competition, as I say. I mean, like, there's so many places that you can go to get, fortunately, the same kind of insurance that would compete for your business by offering you a lower rate.

You can go to Nerdwallet.com. They've actually got a section on their website that compares over 50 companies for you for free and this is specifically car insurance. You can go to Insurance.com, another site that's been around for a long time that gives you quotes online from multiple top insurance carriers for free. I will just say that a lot of these sites, sometimes, you gotta be sure you wanna do this, because if you have to input like your email at all, expect some people following up with you and then if you're not really in the mood, it can be kind of annoying. So, just be sure that you're serious when you participate online with — for getting any of these free quotes, that's kind of the price that you pay is the follow ups. Sometimes, you get some marketers coming at you.

Esurance.com is popular as well and then I would also talk to your current insurance company and say, "Look, I know that I'm probably do for this rate hike because I'm now not as trustworthy as a driver, I got into this fender bender." I mean, that's really what the underwriters are thinking. They need to be risk managing their said business, but let them know that you're gonna probably have to shop around now and because this is expensive, this is \$75 dollars times 12 months. That's a lot of money and, see what they say. See what they say. They may be able to cut a deal with you. A lot of times insurance quotes are negotiable, so it's just a matter of speaking up or letting them know that you have found better quotes elsewhere and see what they say.

And, Tiffany, last but not the least, wants to know my thoughts on purchasing a mobile home. She says she lives in the San Francisco area and that there are some manufactured houses, beautifully done only \$300,000 dollars, "Is it a good investment?" Well, first of all, a \$300,000 dollar home in San Francisco sounds like a steal to me. That said, I'm not encouraging you to,

yet, go out and do this deal. I also wanna say that anytime anyone comes to me and says, "Is this home purchase a good investment?" I get concerned.

Now, you're talking to the woman who loves making a profit off of anything and especially real estate. I live in New York City, I get it, there's this mentality around purchasing homes and apartments that, you know, in 10 years, in 5 years, it'll appreciate and because we've been spoiled here, we have that mentality. Homes do appreciate and certainly in San Francisco, that is, I'm pretty sure, the case as well. It's a very expensive market and then it's just continuing to increase in value, these real estate prices. But I would caution that you're going into this and looking at it may be solely as an investment. Hopefully this is also a place where you'll wanna, you know, settle in and it's a mobile home, so I'm not really sure how that works?

I'm not familiar with mobile home purchases, to answer your first question. My thoughts are limited around what the risks may be to this. I would definitely not rush into anything like this. I mean, buying a home is a big deal. So, talk to other people who've done it. Not the people who are selling you mobile homes, but the people who are actually living in the mobile homes. There's probably communities out there but start talking to people who've actually made these kinds of purchases in the last one to three years in your area. And, ask them, you know, are they happy? Any things that they've learned the hard way? What would they recommend, if they were themselves three years ago, a year ago when they did this? Who would they — what advice would they have given themselves? I think you'll discover a lot of important things that way.

Think about this less as an investment and more as a place to live and live for a long time maybe 5, 10, 15 years? I don't know if that's the trajectory of most mobile home owners. Maybe this is like a stepping stone to then getting that bigger or more established home in the neighborhood. But, don't be upset if this doesn't appreciate as much as you had hoped or at all, because that's just the nature of anything that we buy, you risk that it doesn't increase in value and so you want to be sure that if you're gonna spend \$300,000 on this property, that you're gonna be okay selling this in the future and maybe not making much of a profit. Is that okay with you?

In the meantime, are you gonna save money on rent? Probably. In San Francisco, rent is crazy. Are you going to be able to enjoy where you're living? How you're living? The lifestyle? If yes, that's also important. So, it's not that this is not a good deal just because you're not gonna increase the equity in the home but what are the other benefits to doing this? Make a pros cons list, Tiffany, and if anyone on the show listening knows anything about mobile homes, let me know. I have your email, Tiffany, so I can definitely send you some additional information. But good luck.

And, that is a wrap everybody. Thank you so much to our listeners who wrote in questions and I just want to say one more time if you want to co-host the show with me, I am still interested in continuing this, at least on the show. I'm looking for maybe making some changes in the new year and hoping that you'll give me some input as to the direction the show should take, but I think that co-hosting with listeners has been a really smart move for me. I get to know who you are, what's on your money mind, really connect on a deeper level with the audience, and then also, I hope you're having fun as a co-host. That you come on and get to, you know, just talk shop with me for 35 - 40 minutes.

But you can go to somonypodcast.com click on Ask Farnoosh and send me a question there but also let me know you want to co-host for any upcoming episodes and I hope that we'll connect. Thanks Christina, Lorena, James, Jared and Tiffany for your questions. Thank you for listening, and I hope your weekend is So Money.

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