

EPISODE 653

[ASK FARNOOSH]

[0:00:35.3]

FT: You're listening to So Money everyone. Happy Friday, November 17th 2017. I'm really happy to be back in New York City. I've been traveling a lot this month. It started, kind of, at the end of October with FinCon in Dallas and then I was over in State College at Penn State because I'm on the board there for the Smeal College of Business. Go Nittany Lions! And then just got back from Vegas this week. Not for fun, I was there for a conference and I'm just happy to be back and of course with the holidays unfolding, it's just important to regroup a little bit and to help me get my mind around some of these questions, because I need that sometimes. I need someone who's smarter than me to steer me in the right direction with some of your very, very, important and sometimes tough questions, is my friend Brittney Castro.

Brittney, founder of Financially Wise Women, welcome to So Money.

[0:01:29.7]

BC: Thanks Farnoosh. Always love being here with you.

[0:01:33.0]

FT: Has your month been as crazy as mine? I heard you're not traveling as much this year.

[0:01:36.0]

BC: Yeah, you know, I'm actually pleased to report my month has not been as busy as yours. Which is a — which was an intentional thing for me so —

[0:01:45.8]

FT: Yeah?

[0:01:45.3]

BC: You know, as ambitious women, you know, it's like constantly go, go, go, and I really have been spending the past month actually just, you know, focused on rebuilding some things in my company now. Restructuring and training a new person, so it's been nice to kind of settle down. I was in Chicago though, for a women's wealth retreat and that was fun and it's good to be back in LA.

[0:02:11.1]

FT: Yes, sunny LA.

[0:02:13.3]

BC: Sunny LA. You're right.

[0:02:13.3]

FT: This is the time of year where I really envy you and your neighbors out there in Los Angeles.

[0:02:20.3]

BC: Yeah, our fall consists of 75 degree weather.

[0:02:23.8]

FT: Oh, my gosh. Just enough, enough! Well, Brittney I'm also bringing you on the show because I wanted to talk shop a little bit about our partnership with Chase Slate. Both of us are fortunate to be brand ambassadors. For those of you who aren't familiar with Chase Slate, it is a balance transfer credit card, no annual fee. More than that though, it's a card that is on such a big mission to support credit health.

For years, you know, you and I have been working with Chase Slate to talk about the credit dashboard, which not only gives you your free FICO credit score every month, but also the factors that are leading up to why your scores where it is and how you can specifically master your credit. It is that time of year where I think a lot of us are thinking about credit rebuilding, we're thinking of shopping, right? You have been with Chase Slate for, now going on 2 years?

[0:03:17.9]

BC: Exactly. Yeah, it's been exciting and I love that we get to partner up together and talk about it today and answer some more money questions. You know, financial literacy is so important so the fact that I have the opportunity to just teach more people about money, it's been really fun and also rewarding.

[0:03:37.0]

FT: Working with Chase Slate has been really refreshing in the kinds of ways that we're trying to engage with consumers. So if you've been following me, if you've been following Brittney you know that were really intent on doing interesting video for our audience. So recently, I did a fun walk and talk video, one shot or maybe it was two?

[0:03:58.4]

BC: Wow, impressive.

[0:03:58.4]

FT: I think we slated once. But basically, this really fun walk and talk where I got to answer some questions about my own financial practices and you can learn whether I have a better credit score than my husband. It's a close one there. But, you know, these sort of innovative, very interesting and fun ways to talk about finance and talk about money and credit is not something that you always get the opportunity to do when you're working with a major brand like Chase, and in this case is Chase Slate. So, my hats off to the team there.

Without further ado, Brittney, we'd love to start by answering Sarah's question. Do you want to tell us what's on her money mind?

[0:04:40.0]

BC: Alright. Okay, so Sarah asks:

[0:04:43.0]

S: "My daughter's turning 21 and is considering applying for her first credit card. Up until now she's only used a debit card tied to her bank account. Is it necessary for her to open up a credit card? I'm worried she may find it too easy to spend with a credit card and end up with some debt."

[0:05:01.0]

BC: Oh, good one.

[0:05:01.2]

FT: Hmm, I think this is a common question that parents ask, you know? And college is a popular time to be thinking about starting, opening up your own credit card. Of course you have to be 21 or have a co-signor. I think she should, because look, we live in a credit-oriented society and while a debit card definitely can help to budget your expenses, you don't — you can't spend what you don't have in the account. But, if you're at all interested in taking out a loan in the future or establishing credit, this is the time to do it, open up a credit card.

[0:05:34.1]

BC: Yeah, and building credit is so important. Like, I can speak for myself. My dad helped me open up my first credit card when I was 16. He was a co-signor and one thing he did, which is a tip I have for Sarah and other parents considering this is, he told me I can only put my gas on

this credit card. Like something so small every month, like, for my car and he, you know, confirmed every month that I paid it off. I had a job so I had to pay off.

So, it was a small amount but just recurring payments and recurring charges on that card really did help me establish credit at such a young age and, you know, he sat me down in the beginning and told me the importance of paying this off and I think just like charging one thing every month like maybe, you have them put their cellphone bill or something of that and you just monitor and make sure that it — the payments are made. That really helps build credit for people.

[0:06:27.8]

FT: Yeah.

[0:06:27.8]

BC: And it teaches your kids the importance of paying on time and all of that.

[0:06:32.5]

FT: Right. Yeah, baby steps but I will say that, you know, sometimes we underestimate young adults in thinking that they're going to be so reckless with credit and, yeah, I mean I wanted a credit card as a young adult. Sometimes you have to learn the hard way but, you know, there is some encouraging news amongst millennials that Chase discovered, Chase Slate discovered, which is that, about 40% of millennials check their credit scores every single month and that Brittney, is actually better than Gen X'ers and Boomers. So that's encouraging.

I believe there was a Hispanic survey as well that saw that millennials are more likely to improve their credit score, have the plan to improve their credit score than Boomers. I mean, that's a nice bright spot amongst all the disparaging news you sometimes hear about millennials and money, right?

[0:07:17.6]

BC: Totally, and it is then it's actually true. You know, I teach a lot of workshops around and, you know, I often find when I teach in the high schools or colleges like, they really do. They want to learn about money and they've seen either their parents, you know, go through money challenges or mistakes and there is an awareness and I think, yeah, maybe we will say millennials are entitled and they're lazy and they're boomerang children, and they don't get jobs. But really, these survey results are refreshing and it's encouraging. So, if you are a parent, I think it's smart to teach your kids what you know and if you don't know then it's an opportunity for you to go and learn so that you can give your kids maybe what you didn't learn in growing up.

[0:08:00.7]

FT: Yes, and not to mention, you know, with credit versus debit. With credit you have the benefit of zero liability protection. Which I know, for me that's been a huge benefit to having a credit card.

[0:08:00.7]

BC: Very helpful. Alright, ready for the next one?

[0:08:15.1]

FT: Alright, moving on. Steve, yeah, what's on his money mind?

[0:08:18.9]

BC: Steve wants to know:

[0:08:21.0]

S: "In light of Equifax and other data breaches, how do I balance convenience and security?"

[0:08:27.9]

FT: Yeah, so it's a good question and it is something that I feel a lot of people aren't really sure how to grapple. Should I get the credit freeze? But then if I get a credit freeze and I want to maybe apply for credit card or mortgage this year, how will that impact my convenience and my ability to unfreeze?

What have you been telling your clients, Brittney? I'm sure this is something that is top of mind for them, too.

[0:08:51.6]

BC: Yeah well, you know, like a lot of what I've told my clients is the same and it's trying to be as proactive as possible, you know? So I always encourage my clients to be checking their credit report at least annually. I mean, they can do it three times a year for free using the different bureaus. But, you know, in light of this stuff, definitely making sure that they put fraud alerts or just security alert, you know, if they wanted to go through the credit freeze process they could do that for extra layer of security.

But, you know, sometimes it's like, as proactive steps, I mean, we can't protect everything. But, you know, changing passwords, you know? And then also, in regards to this, I've made sure that my clients are not only doing things like now especially as this came out but, like a few months from now. Like go back in like, a few months from now and check your credit report and still make sure everything's clean and there's no new lines of credit opened. Because sometimes what I learned through this is that hackers wait a few months to do their activity, you know?

So, like, you might be on top of it right now because of all the news and media telling me to do stuff. But, you know, there's a lot of strategy here. So be smart and just make sure you have recurring systems in place when you're checking on a regular basis.

[0:10:16.9]

BC: I agree. I agree with all of that and I would just going back to the issue of “should I freeze my credit? Should I not?” And of course when you freeze your credit, nobody can apply for credit in your name and social security, even yourself, until you unfreeze your account. Which I don’t know if it can be done that quickly. If you suddenly decide tomorrow that you need a student loan or a bank loan or something for your business, I think that you just want to be mindful of that.

If you don’t foresee this being an issue, if you don’t think that you’re going to need a line of credit alone or credit card in the future in the next 6 to 12 months, then you know, this could be the time, if ever — If there ever was a time to freeze your credit, this may be the time in history.

Okay, so Brittney, have you started your holiday shopping yet? It’s almost, it’s almost Black Friday. I’m not a Black Friday person

[00:11:06]

BC: I mean, look, I have to be honest, I’m the worst person to ask for this question because I’m not like a big holiday shopper. I love giving-

[0:11:16.0]

FT: To shopping all the year is that.

[0:11:17.5]

BC: I love shopping all year. I love giving gifts the whole year, you know, but I also just think gets a little extreme during holiday season and so for my loved ones, you know, I just try to give them like, experiences versus like, gifts. So like, taking my parents to a concert, you know, that they would never go to on their own. Or like things like that is more or less what I like to do.

[0:11:41.8]

FT: I like to have my list and in our family my husband's side we have a ton of family on my husband's side and so just to make it simple, everybody shares lists, which can get really, I don't know? There are pros and cons, I guess, because you know what you're getting. But, then you know what you're getting and that's always a benefit. There's no surprise, you wanted this sweater so there you go.

Do you have any traditions or things that you typically try to practice around the holidays?

[0:12:09.1]

BC: Yeah, I love to make a list and a budget and I think, you know, having clear expectations that you can't possibly buy a gift for everybody that you know and love really takes a lot of the pressure off. Because I think of people — a lot of people feel pressured. Like they have to buy a gift for everybody and their circle and then, you know, it's not smart. Sometimes you don't need to go into debt or you don't need to go into debt to get holiday gifts.

So, definitely make a list to figure out who's like top priority. If you have a large family, one thing that I also say is like, maybe do a Secret Santa or gift exchange that you, you know, eliminate the need to buy for 20 people and everybody has decided that you're only going to buy for one person and then have your budget. So that's always good. Starting early is very great, you know, like, making sure that —

[0:12:59.6]

FT: Now.

[0:13:00.2]

BC: Yeah, now.

[0:13:01.7]

FT: And don't think that Black Friday is the end all, right? I mean, certainly it's a big sales bonanza and there's a lot of things that go. There's door busters. Otherwise, just keep an eye out because I feel like the sales are happening all the time between now and December 24th.

[0:13:18.3]

BC: Totally, so starting early is very smart. I actually encourage clients to have a holiday or like gift line item in their monthly budget and if they're not spending that in a month then they're putting it into a separate savings account so that they have that money ready to go for this time of year. Always do your research of course. I mean, the internet makes that super easy.

You can just really search for the products or gifts that you want and find the best steals. I guess you always have to know when the sales are. So if you're following a specific, like you said, like the tv that you want, like figure out when the best steal Black Friday, Cyber Monday, and then I would always definitely say free shipping. I mean, that's super, super easy these days. But I don't know.

[0:14:04.4]

FT: Who pays – I mean, if you're still paying for shipping, you're not doing it right.

[0:14:07.6]

BC: You're not doing it right, I mean, hello? But, there's lots of free shipping and deals like that so make sure that you're just being smart, thoughtful, don't go crazy, you know, don't feel pressured and, you know? I also just think be wise and take care of yourself. I don't know about you, Farnoosh, but every time I go shopping for somebody else-

[0:14:25.2]

FT: Treat yourself.

[0:14:26.6]

BC: I also find stuff for me. I don't know how that happens.

[0:14:31.0]

FT: Oh, it's a problem, everybody does this. I don't know if it's a problem? I think that you know-

[0:14:35.0]

BC: I don't think it's a problem, but just be smart and so what I've done is actually put myself in my own budget. Like, I give myself a budget because I know it's going to happen. So for me to say that I'm not going to do it, it's unrealistic.

[0:14:49.4]

FT: Exactly, plus the holidays are very hectic, it's good to give back to yourself if that's a massage or a facial or just, you know, a day off. Like, just do it because this time of year can be very, very, taxing on everybody. I'm all about the treat yourself 2017.

So now, we have a question from Jack and he actually has a question about how to reconcile his situation with having these cards that have annual fees that he's not really using but also, he's worried that if he closes his accounts that, that could also impact his credits. So, what do you do? So, he's got this three credit cards, they've all got annual fees, he's done with paying these fees, thinking about shutting them off but also risks perhaps damaging his credit history.

Yes, that potentially could eliminate the credit limits within his profile, which as we know your debt to credit utilization is a factor in your credit scores and so if you have balances on other cards and then you're getting rid of these cards that you're not using with the fees, that could increase your debt to credit ratio, which could impact your credit score. Overtime, those cards will also will stop showing their history on your credit report. So that's also potentially hurtful to your credit score.

But if you're spending hundreds of dollars a year on a product that you're not using, whether that's a credit card or anything else, I feel like that needs to, sort of, short-term pain, long-term gain, right? Cut it off now and then eventually your credit score with good behavior can improve or can bounce back. I think that you kind of have to just take the band aid off now.

[0:16:31.8]

BC: Yeah, I mean and there's a lot of credit cards that don't have annual fees. So if that's like a real issue for somebody and it's just like you said, the cost benefit analysis isn't worth it, then see what other card will be a better fit for you. And I think like you said, the main thing of like, just overall good credit habits. I mean, paying your bills on time. That's like, such a huge part of it. So, you know, focusing — to me, focus on the things that are going to drive the most impact so paying your bills on time and then keeping your balance, which is like less than 30% utilization or lower. Those two make up most of the credit score. So put your time and energy into that and if you want to, like, figure out the fee situation then shop around and see what you can do and, you know, don't stress so much.

[0:17:21.6]

FT: Yeah.

[0:17:20.5]

BC: I think also, to part off my money advice is like, we do so much and like, obviously, there's always something else to be working on in our financial life. So, just constantly think like, "Okay, what can I improve now?" Feel good about what you're doing and then don't worry so much. You know, there's so much worry wrapped up into everything finance-related and I think a big part of living a financially-wise life is to work on having more fun with your money and not getting so like, hyper focused on like, every little last thing that you can constantly been improving. Because then you're never going to feel satisfied, and I don't want people twist what I'm saying. I think you should always be working on something you can financially

[0:17:59.6]

FT: Right, right.

[0:17:59.8]

BC: Improve. But also enjoy, and not get so wrapped up in like, all the nitty-gritty stuff.

[0:18:05.7]

FT: Yeah, and focus on the things that matter, right? So, there are certain things within your control and one of them I think that — one of them is just being aware of where you stand credit wise, right? So, what is your credit score? What can you do to improve it? And, I think that you may be surprised that you're doing better than you think and, you know, there's the Chase Slate dashboard, which informs you of your FICO credit score every month and all the updates and how you're doing. But, everybody should be practicing this.

Knowledge goes a very long way and so, when you're contemplating moves like these, I think the first step is just to really, like we talked about, know what goes into your score, weigh the tradeoffs of, you know, saving this money versus like, the little dent that it may give to your credit score. But in the long run, I think when you can keep your eye on the ball and do all the good things that can support your credit score, then this — you look back and go, "You know, this was just a blip on the radar and I'm so glad that I made this move."

[0:19:03.6]

BC: Exactly, I like it.

[0:19:05.2]

FT: Alright, Jack, good luck with that and let us know if you have any more questions. Our next question comes from Janice and hers regards student loan debt. I don't know Brittney, did I ever ask you if you've ever had student loan debt and what happened with it or?

[0:19:19.7]

BC: I actually haven't. I haven't had student loan debt. That's been fortunate for me, however, I've had debt from starting my company. So that's been my own debt journey, which you know, for me Farnoosh, I've really kind of just thought about it as like, well, if I didn't start a business I would have gone back to business school and got my MBA, so I guess this personal loan that I took out is kind of like that in the sense.

[0:19:46.6]

FT: Yeah, it's for self-improvement, right?

[0:19:47.4]

BC: Self-improvement, yeah, because I had to — I made that decision consciously and then I had to figure out, "Well, honestly if I would have went, I was going to go to USC that would have been a hundred grand, you know, to get an MBA out of minimum for that." So I guess, you know, starting a business and doing this and taking out a personal loan for it, not as bad as I once thought.

[0:20:09.5]

FT: No, no. No, because you really got a great ROI on that and not to say you couldn't have if you've gotten your MBA but, you know, everyone has their own path.

[0:20:18.9]

BC: Everyone has their own journey, totally.

[0:20:21.1]

FT: Now, Janice is wondering what the cons may be, potentially, of refinancing her student loan debt with a private lender and how it may impact her credit score, which made an impact to her

ability to buy a home? Before we get into the potential cons, I mean, I think that what we're hearing from Janice is that, and a lot of my listeners are millennials and I'm guessing maybe she's in her 20's or 30's that a goal is still to buy a home. Which is, you know, look I'm in the camp that if you can afford it and it's a dream, then go for it. I'm a home buyer, twice over and this is something that is very much a top goal for millennials, a third of millennials is they plan a home in the next 4 to 5 years based on a Chase Slate survey.

Well, you know, it's one of those things that we grew up perhaps wanting to do, our parents did it and brings with us a lot of not just financial security but emotional security knowing that we own the roof over our head. But also, let's be honest, interest rates have been really attractive over the last 10 years. So, I think all these factors are fuelling where we see millennials wanting to now aspire to become home owners.

Does refinancing your students loan with a private lender negatively impact that goal? I'd be curious here what you think, Brittney, but I feel is though, if you're in a bind with your students loans and you have a way to refinance them in a way that will give you more breathing room month to month to eventually, you know, pay it off more easily in the meantime pay your bills more aggressively, then I don't really see how this could be a negative?

[00:22:00]

BC: I mean, I think look – look at the long term if you're going to refinance to a lower interest rate that will help you pay off this debt faster, then it'll definitely set you up for the long – you know, buying a home as well. Because then, you'll have either that paid off faster or maybe a lower monthly payment so that you can work on saving for the home or eventually buying the home.

So, I think it's like looking at the grand financial plan and really sorting through, even with the home like, what does that look like? What's realistic? Is it three years from now? Five years from now? How much do you want to save for that down payment? What type of mortgage would you even qualify for, based on your income and that ratio? I mean, there's a lot of factors to look not the bigger picture I think will only bring more clarity as to what instruction would be best.

[0:22:51.0]

FT: I'm trying to figure out where this trepidation around the refinancing comes from? Maybe it's that, you know, we hear often when we talk about private loans versus federal loans we know that with federal loans there are typically more options when it comes to refinancing. For example, income-based repayment, where some people may run into some more challenges when they're trying to refinance with a private lender, but it doesn't like that's really what's the issue, it's just that she wants to know if there's anything else, she needs to be aware of? I don't think so.

[0:23:27.1]

BC: Well, I almost hear it too, like, maybe she's concerned that if she does, it's going to be a credit inquiry and, you know, like that might negatively impact her credit score. But again, in the grand scheme of things like, maybe it'll knock it a few points but it's going to be worth it to like get something that's –

[0:23:45.7]

FT: going to help her give

[0:23:47.2]

BC: Help you, yeah

[0:23:47.5]

FT: Yeah, ultimately help her resolve her debt sooner than later or at least give her budget, some breathing room to save more and achieve ultimately that goal of buying a home. So, Janice you have our blessing to move forward with this refinancing, assuming that there's no gotcha in this loan, good luck and as you know, here at So Money, we love real estate

questions, we love giving help around debt resolution so please come back if you got more questions and then to round this out here we have a question from Alexandra.

A different kind of question. You know, so far we've talked a lot about debt and home purchasing and credit cards and this one's really just about increasing income through a second job or like a side gig. And so, I think the issue with Alexander is that she wants to pay off debt through increasing her income. But, the problem is that where she works she says, their compliance rules restricting side jobs and so any advice that we may have for her.

And, I would just say to Alexandra and I would love to hear you, your thoughts Brittney, too. Is that before we get into this sort of, side income revenue stream, just make sure that perhaps you're maximizing your other tools to pay down this debt. And, what are some other tools? I mean there's obviously finding ways to save in your budget to allocate some of that income that you already are making towards the debt.

It's also making sure that you're paying much more than just the monthly minimum, you know, that you're doing perhaps double or triple the minimum. Also, look at what kinds of cards you're holding. If those cards have high interest rates, high fees, it's probably a sign that maybe you want to find alternative card. Whether that's Chase Slate that offers bounce transfers. Really, that's the beginning I think of this strategy, right Brittney? Is like, just be sure that the credit cards that you have and your savings plan is good.

[0:25:44.1]

BC: Definitely, yeah, find the right cards if there's the balance transfer opportunity to lock in like, a lower interest rate or zero percent interest rate and then have your budget, you know, in front of you. How much more could you put toward the debt payments and figure out the debt plan. Like, if this is the only card or do you have other debts with other interest rates that you want to start with first? I mean, you got to look at like, "Okay, what are all the debts? What's the interest rates? What's the minimum payment? What's my budget? How do I like, maneuver this thing to come up with a plan to pay off these debts fast?" And if you could do balance transfers or other things to help with that, it's only going to be good.

[0:26:24.2]

FT: To address her question about second jobs, I mean, I'm all about the side hustle here at So Money, in fact I just spoke at FinCon, talking about how it's not just a nice goal to make more money. But that really it's an obligation to our livelihood and to everyone's livelihood. Because when we all make more money, the world becomes a better place. We're able to use that money in a way to hopefully support other people and movements. And so, if you're ever looking for motivation to get out there and negotiate, ask for more, start that side hustle, remember that your money is not just about you, it's about really leveraging that money to improve other people's lives, as well.

So, in this case she wants to get that second job to pay down the debt to then be able to really feel financially free and I would say go to your manager and just have a really candid conversation about what is Kosher, you know, what can you do in order to increase your income and I mean, if nothing else if you haven't asked for a raise at work, that's probably where you should start to ask for a raise. If you're turned down, then the second conversation should be about look, you know, I have some financial obligations that I want to meet sooner than later and I've identified that I need to start making more money if it's not here then it has to be through, you know, a side gig and maybe go to them with a specific example and see what they say. You would have to do this anyway,

I mean, most people who work anywhere have an employer. Transparency is the best policy, you want to go there and let them know what you're doing on the side, you don't ever want to come bite you back. I know, for example, a colleague of mine had a blog that he was monetizing outside of work, which his employer found out about and it was awkward because the blog was about giving tips for people at the workplace and he was using a lot of his own personal anecdotes and it wasn't always glowing of – he wasn't only speaking glowingly of his employer - it's a whole other story. I mean that's probably what the issue was, but it's really important to just ask for their, you know, suggestions, opinions, what would you do? Can I have your advice? As opposed to here's what I'm doing and I want you to be okay with it. But, really going in with this

idea of like, I want this to be a win-win for everyone, is probably the best policy. This regardless of what's in the human resources playbook.

[0:28:45.2]

BC: I agree, I think transparency and honesty go far and, you know, you can only be clear in with yourself and honest with yourself and then when you do that and you take it out into your workplace, whether that's a side hustle or your current gig, but people appreciate it and maybe if they don't appreciate it right away, it'll come back to you, you know, in the next opportunity.

[0:29:06.9]

FT: I agree, I agree, yeah, so good luck. I know it's hard it's not - we talked about side hustle as if it's just a forgone conclusion that everybody should do it But I know that it's hard depending on where you work. So, I appreciate your question and I hope that you're able to find a way to still accomplish this and make that important side hustle money. I mean, I'm just working on the story right now about how this one family - the husband is making an extra \$40,000 take home through his side hustle, I mean, it's effectively like, increasing their net worth by like 50%. They're able to use that money to retire sooner and just get on with their lives in a way that really they feel more in control of their destiny and I hope that for everybody, I want that for everybody.

So, thanks for your question and let us know if you're still hitting the wall and we'll try to come up with some new creative solutions for you. Brittney thank you so much, I really appreciate you spending some time with us, I know it's a busy time of year and I hope that you're able to stick to all your to do's around the holidays and end the year with the bang, thanks so much.

[0:30:14.9]

BC: Thank you Farnoosh, love being here with you.

[0:30:16.9]

FT: And for more information everyone please check out chaseslate.com you can also go to somoneypodcast.com for downloading this episode if you missed anything, and as always I hope your weekend is So Money.

[END]