EPISODE 725

[ASK FARNOOSH]

[0:00:35.6]

FT: You're listening to So Money everyone. Welcome back, May 4th. Tomorrow is Cinco de Mayo. Cheers! This is actually a pretty great week. It's an anniversary week, not for my marriage, but for my book; *When She Makes More*. I know a lot of you said that that book really was helpful in your marriage and in your financial life. It's a book that I launched four years ago. Today, actually, May 4th, 2014, I was pregnant with my first, about to burst and doing a media tour.

I didn't know what was going to be on the other side of delivering this book to the world, and I'm just really excited to say that four years later it's continuing to make a difference and it's something that I think with the Me Too Movement and Equal Pay and all of the women rights movements that are escalated in the last, I would say, 18 months that this book has become ever more relevant and needed not only just in women's lives but also in men's lives. A lot of guys have come up to me and say, "You know what? Thank you for writing this book because it's helped me understand my wife better.

It's helped me also have a voice in my relationship," because the book really does also talk about the male brain and the importance of respecting your husband, your wife and really being a team in the relationship. So for everybody who has read the book, supported the book, thank you, and for those of you who are embarking on a relationship, if you are the female making more, I would love to introduce you to *When She Makes More.*

Also this week, or rather, at the tail end of last week, the study that I and Dr. Klontz, coauthored for the book, for the purposes of *When She Makes More*, we did a survey of a thousand women split between women who make more and women who make less than their partners and all the potential differences in the marriage, from how they manage their finances, to their happiness and their relationship. That actually got published in a journal recently, in the Journal of Financial Therapy. So I'm a published author y'all, not just books, but research. So I feel very nerdy and cool about that and it's just great that it happened in concert with the book celebrating its fourth anniversary.

Someone who is here on the show with us today cohosting is a top earning woman, and I know for many years she supported her husband as he was going through medical school, and she's been a guest on the show. She is an entrepreneur, a mom-preneur, founder of catherinealford.com, financial expert. Catherine, welcome to So Money. It's so great to have you on the show given all that's happening this week and the book celebrating its fourth year.

[0:03:27.8]

CA: I know. I'm so excited to be here. I think this is my third time on the show. I don't know if that's a record, but I'm very honored to be back.

[0:03:33.6]

FT: I think it's like — I think that the threes club, it's a very small club on So Money. I think some people have done two appearances, but three is definitely the maximum, I think.

[0:03:45.1]

CA: Okay. All right. I'm off after this. Done.

[0:03:48.8]

FT: Yeah. No! But, really, you're such an asset to the audience. I know a lot of us already know who you are, but tell us a little bit more about what you've been up to since the last time you've been on this show. We'd been friends for many years. I know what you've been up to, but inform the rest of us.

[0:04:03.2]

CA: Sure. I am continuing my journey as a self-employed entrepreneur. I have now been self-employed for four years. I am still blogging at catherinealford.com, but the biggest change in the last year has been these really large brand partnerships. I just wrapped up a six month partnership with Quicken Loans. We launched 10 videos and 30 blog post called Her Wallet, so aimed at helping all different types of women learn how to use their finances better. Yeah, we have more slated for this year. Lots of great partnerships with banks and other companies coming up, so I'm really loving the video, Farnoosh. It's been really fun to have the teams come to my house, film my kids and just really share that knowledge with everybody.

[0:04:44.1]

FT: I love that you have really built this amazing revenue stream. Tell us a little bit about how these brand partnerships come to life. I know that in some cases, you are very proactive and in other cases they discover you because you're everywhere and you're doing great work in building momentum and have visibility. But I'm more interested in how you actually approach some of these brands and get them excited about working with you.

[0:05:07.1]

CA: Sure. Well, about two years ago I moved from New York to Detroit and I was so bummed, Farnoosh. You know that. I was like, "No! I love New York." I wanted to stay there. There are so many great work opportunities in the financial industry there, but I made it a point that when I came here I would do a lot of outreach. So I reached out to a lot of big companies that are headquartered here. Interestingly enough, for example, the Quicken Loans deal, I emailed them and they knew who I was. They had seen me speak at FinCon the year before. As soon as I met them, like, "That's great that you're here. We saw you speak," and I spoke on a panel with several other female entrepreneur. So they sort of knew I was the real deal and that I was going to do great work and it also kind of gave them the sense of my rate, because we talked that at the FinCon interview. So it was a great partnership on many different levels. I also work with a talent agent, and he keeps me in mind and brings deals to me every now and then. That really helps too, but I just think you have to wake up every day and constantly put out good work.

Speaking different podcast interviews, I'm constantly writing for other people and guest posting and submitting quotes and just keeping my name out there, right? So when someone searches something, if they're looking for someone with a family, since I do specialize in family finance, that they are starting to find me more and more. But I still have the hustle, Farnoosh. I still reach out a lot to people all the time.

[0:06:33.4]

FT: Forever and always. It reminds me, I'm going to send you a hustle necklace, my friend.

[0:06:37.9]

CA: Okay!

[0:06:39.3]

FT: My friend, Margie Fox, is the founder of a jewelry line.

[0:06:43.8]

CA: Oh, cute! I think I've seen that on your Instagram.

[0:06:45.4]

FT: Yeah. It's on my Instagram feed. Before I forget, I want to tell you what the jewelry line is called. I'm going to do a shameless plug, but she does these great, enamelled jewelry pieces, bracelets, charms, and it's called Fits and Hen, fitsandhen.com. They're named after her labradoodles, Fits and Hen, and Margie comes from the PR marketing agency branding world for years. I mean, she had her own agency. She led Ogilvy America and now is kind of in this new chapter in her life where she wants to be really creative and do fun things. So, all these to say, you're getting the hustle charm necklace. It's befitting.

[0:07:31.4]

CA: Thank you. I'm looking forward to it.

[0:07:32.1]

FT: Yeah, I wear it. It's good luck and, and it's very who you are. Before we get to our questions, I do want to also touch on the fact that, Catherine, you are a mother to twins and a wifey, and I'm a wifey, and we take care of our husbands, right? Not just as wives, but as providers. Tell me a little bit about where you and your husband are in your financial life. I know that part of moving to Detroit was because he was doing his, I believe, residency there?

[0:08:00.7]

CA: That's right, yes. He graduated from medical school, matched here for residency. So I am still out-earning him by about double. I tease them all the time that he won't be able to catch up even after he's done and making a full physician's income. But he loves it and he welcomes that and he's really appreciative of what I bring in to help our family, just survive, but also maintain sort of a fun lifestyle too. He's halfway through this residency and — Yeah, that's what we're doing. It's really, really busy, Farnoosh. He's gone a lot. The hours are very intense, way worse than medical school. So I'm holding down the fort over here with the twins and working in between taking them to preschool and all their little — You know how it goes, the swim lessons and ballet and all the little things they do. Yeah, just hustling in between and just trying to constantly find new deals and keep the income up. But I do enjoy having the flexible schedule because he is gone so much and it's really helpful to him to know that I've got things handled over here.

[0:09:07.2]

FT: Yeah. There are only so many hours in the day and I know that you're the queen of multitasking efficiently. So I will brag, one of the things that you do, which is sort of behind-the-scenes. It's like you package it as like, "Oh! I'm hustling and I'm making it work," but the real work is that sometimes you bring your kids to work or you like go to this gym where there's childcare, and you have like Wi-Fi access so you can do your blogs. Share a little bit about like the actual hustle behind the hustle.

[0:09:40.0]

CA: Sure. I am a huge proponent of the high-end gym and I'm sure all my like frugal blogger friends are just cowering right now or like twitching, but I pay for a high-end gym, and it's $205 a month for our family. I go there every day with my kids. They watch them for two and half hours a day. They know my kids well.

The reason it's high-end is because the kids area, it looks like a McDonald's play place back there, like slides and all kinds of stuff. They make jewelry. It's kind of like a daycare inside the gym, but I just sit there with Wi-Fi. They have free coffee, free bagels every morning and I work. I used to wear my gym clothes there, Farnoosh, to try to pretend, like I'd I go work out, but now I just wear my jeans. I'm like, "Look. It's not happening. I'm here to work, people."

[0:10:27.4]

FT: You're not kidding everybody.

[0:10:28.3]

CA: Yeah. I'm just like, "Okay. You guys see me sitting here. You know I don't make the transition down to the bike." I'm just here in the café still. But I do that. I work in the car a lot — I always have my laptop with me. I would actually finished a blog posts in the car before my dentist appointment this morning. I got there a little early. Any minutes I can get in between, I just fill it. I don't watch TV. Occasionally I'll get down on YouTube rabbit hole, but I very rarely watch TV and I just try to really optimize my time every day.

[0:11:00.7]

FT: Working in gyms, working in parking lots, not watching TV.

[0:11:04.6]

CA: Yeah. That's how I roll

[0:11:05.8]

FT: It's very glamorous, right?

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CA: It is! It's super glamorous. That's how you — Everybody see the six-figure entrepreneur on Instagram, but I try to be honest in my stories and like, "This is how it's going today, guys."

[0:11:18.3]

FT: You are very honest, and I know you do Facebook lives and you're very active on social media. So people follow Catherine, if you're not already. She's going to give you that pep in your step.

[0:11:28.3]

CA: Thank you.

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FT: That you need, because —

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CA: The honest truth.

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FT: We're all human. Thank you for being so transparent. Okay, so really looking forward to getting your perspectives on some of these people's questions. The first question is from Dave, and he writes in. He went to somoneypodcast.com. He clicked on Ask Farnoosh and he typed in this question. He said, "Hey, Farnoosh, love the podcast. Did you like Ms. Pardee's answer about not caring about money?"

So what he is referencing is Tami Holton Pardee. She is the number one real estate investor in Los Angeles. Her company has sold more real estate in the Los Angeles area than any other that, I guess, we know of, and she did say something, I guess, a little controversial. Dave's pointing out, and Kat, chime in if you feel, like you have a thought or two, but basically she said, "I don't care about money," and he said that we heard from another guest about this very topic. It's something that people say a lot, and I don't take them literally ever when they say that. I think that when you have the sort of privilege to not care about money, it sort of means that you have enough of it. You're doing the right things with it, and so now you can care about your life more than you can care about your money. It's not to be dismissive or to be unappreciative or ungrateful, but I'll give you a story.

I mean, when I walked into my financial advisor's office five years ago or however many years ago it was. We're not working with her any longer, now for bad reasons, just we kind of outgrew it, but she asked me, "Farnoosh, where would you like to be in your financial life at some point and how can I help you get there?" and I said, "I would like to get to a point where I just don't care about money anymore," and she laughed and she got me. I'm talking to a financial advisor who talks about and cares about money all the time. It wasn't a disrespect, it was just like, "I don't want to have to worry about whether I can afford something that I really want or want for my family." Do you feel that way?

[0:13:44.3]

CA: Yeah. I took Tami's comment as sort of coming from a place of abundance. After listening to her whole interview, and she's probably — I mean, you've had a lot of philanthropic guests on your show, but she really gives a lot of money —

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FT: She's such a giver. Right.

[0:13:58.0]

CA: Yeah, she is. I took it to me like she doesn't really care about in the sense that she just has this abundance mindset. She gives it away. It's coming to her because she has this powerhouse business. So, yeah, she is coming from a place of privilege and I'm sure she has to care about it from a work perspective, which she sells things or which she buys things for, but her personally, she just gives it away and then it just comes back to her. So she just doesn't have that care, that worry about it. That's what I took from her.

[0:14:27.0]

FT: Yeah, and she's a mom of many children. I was pretty impressed with that. I think, like you said, she's a huge philanthropist. So I don't think that anybody walked away thinking, "Oh! She's so frivolous, or careless, or disrespectful," but I think to the contrary, she is very thoughtful about her financial life, but it's just that she doesn't really care about money in the way that it would bother her or stress her out, and it's a privilege, but it's also something that she's worked very hard to get to.

[0:14:59.3]

CA: Right. She built it.

[0:15:00.4]

FT: Right. So if you're interested in listening to that episode, it was episode 718. It was April 18th, and Tami Holton Pardee. She has sold over $3 billion worth of real estate. So it was also a really good episode about real estate. We talked about some of the best places right now. Still a few pockets of where you can invest in real estate, not by home. Well, you can still buy a home there, but I was more interested in where can we actually maybe become landlords and be cash full positive, and so she gave some cities and New York was not one of them, by the way.

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CA: I love that episode. It was a really good one.

[0:15:41.6]

FT: It was a fun one. Okay. So Marissa is next, and do you want to take this question, or you want to ask — Tell us what's on her mind, and this one comes through Instagram.

[0:15:50.4]

CA: All right. Marissa on Instagram asks, “Hi, Farnoosh! I’m obsessed with your podcast and love your advice. It feels like I'm listening to my friend or sister because you are so knowledgeable and down to earth.

[0:16:02.2]

FT: Oh, thank you.

[0:16:03.3]

CA: I know. “I have a financial question for you. I’m 34 and recently quit my law firm job,” she was totally burned out, “and I am taking some time to figure out what to do next. Maybe start a business or travel.” She has 75,000 in savings account and 300,000 in mutual funds and she also has a 401(k) which she’s not touching that.

Her plan is to live off of her savings for a while, but she is not sure if she should leave all the 300,000 in mutual funds, because she might need it in the next year. So she wants to know, “Should I move some or all of it to a savings account?” She said that, “It scares me that the market is so high right now. Is it better to have the money in a safer place in the short term or am I being too risk-averse? Thank you so much.”

[0:16:45.6]

FT: Well. I don't think she should move all of it into a savings account. I think that her trepidations about the market are normal and natural, but she's 34. She can weather the storm. I know she has a 401(k), so that's a separate retirement savings vehicle, but I would like to think that these mutual funds are also for her long-term future that it's always nice to have a diversification of investment strategies. So I think $75,000 to start isn't a bad place, and I don't think she has to make this decision now, but I do think that she wants to be — That she should try to be pretty frugal for the next 12 months. Congrats to Marissa for taking the plunge and listening to yourself and knowing that your burned outness is not a sustainable thing and that you're doing the right thing. Because a lot of it I think, it’s really hard to walk away from something, especially a lot of her job.

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CA: A lot of job. Yeah.

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FT: You probably went to law school. I’m sure she went to law school for this and spent a lot of money and now you’re pivoting, which is for the beauty of life, but I think it's always hard to be at that crossroads. So I applaud you for taking that step. I think that you don't need to move in haste with your $300,000. I know the market is people would say, and I tend to agree that it's pretty hot right now. We've reached kind of a frothy point. Of course, there are going to be corrections in our future. To the extent of the corrections, I don't know, but I do know that being 34, you have the advantage of youth and longevity to say that if you're going to not really need this money for another 15, 20, 25 years, that's a long time.

Yeah, maybe you can take 10, 15, 20 off the plate, off of this portfolio and save it in a liquid account for your expenses, but see how far you can stretch that 75K. You know this, Kat, because as entrepreneurs you don't know when your next paycheck is going to roll in necessarily, and so it's all about optimizing the money that you have now. Any advice for Marissa?

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CA: Yeah. I was going to say I had the same thoughts as you. 75,000 is a lot, especially if she's single and wants to travel, which I'm kind of getting that feeling from this if she wanted to round it out by adding a little bit, she could, but she could take that pretty far. She'd probably live on two years even traveling full time on that depending on what she sells or leaves at home, but I would encourage her to read a lot about starting a lean business. You're going to read a lot of guests that are one-person businesses that do really well. You're a one person business. I'm a one person business. There are a lot of ways.

I mean, she said she wants to use some of the money to start a business, but really don't need to. She could start a little business while she's traveling the world and start documenting what she's doing. I think that she just needs to take some time to think about what her business goals might be, and that it doesn't have to be start a business or travel. She needs to explore it all and use this time, as you said, to pivot. But I agree with you. I think her 300,000 is okay, whereas 75,000 is a lot. Someone who had an intense law firm job and is an attorney — I don't know, maybe after 12 months she'll be ready to get back to something.

[0:20:10.2]

FT: Maybe. I wrote an article for Oprah magazine last year about people, women, who choose to leave their jobs. It wasn't because they got fired or laid off. It was just like to hear Marissa talk about being burnt out. That was usually the impetus for a lot of these women leaving their work. They knew that they wanted to try something new, travel, pivot, maybe go back to their careers. But they needed some time off. One of the things that I advise in the article was that, really look into your healthcare situation, because that's something that you don't want to compromise. You're used to getting it through your employer. Now that you're going to be self-employed or unemployed, it's really important that you cover that base and you know what that is going to cost you. So before you embark on this endeavor —And maybe you've already done this, Marissa, but I would look into sort of protecting yourself as far as healthcare goes.

Also, with your retirement, you probably know this. Don't cash out your 401(k). You're not going to do that, but really important that you read the fine print depending on the amount of money in your 401(k). Sometimes if it's just a little bit, the 401(k) provider just issues you a check which is subject to taxes and penalty. If you want to roll over this money, do it before you start traveling around, because the rollover requires a little bit of a paperwork and maybe a couple of phone calls. So it's good to just kind of get that squared away as well so you know that money is safe and is not going to be subject to any sort of unnecessary penalties or taxes because you accidentally withdrew it or it accidentally got sent home in a check.

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CA: Yeah. I think that's really great advice. Good for her though. It's like a mid-career retirement, mini-baby retirement, and I think it's great. I think it's important to focus on your mental health and decide what you want to do with the rest of your life. I love that millennial's are doing this all over the place. It's great.

[0:22:12.7]

FT: It's so refreshing. Do write about this journey, Marissa. Whether you share it publicly, on social media, a blog or just in a journal, do that, because I think in that will also be something perhaps to leverage later on, whether that's something that you want to turn into a book or a speaking tour or it could be great fodder for your future interviews. People are going to be asking you about your time off and what you've learned and how it was to not just your personal development growth, but like how are you going to apply what you learned. You're traveling to the new job that you're applying for. So good to kind of keep that a running log of some of those experiences.

Jessica now wants to know, "Should I be working towards paying off my mortgage faster or investing more money in other ways?" She has no debt, just the mortgage. So I'm sure you get this question a lot, right? As a family finance expert, it's something that families with houses. I think the mortgage is not just a huge financial weight, but it's an emotional way. People hate having that debt.

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CA: It's true.

[0:23:21.9]

FT: What do you think? I have some thoughts, but I'll let you go first, Kat.

[0:23:25.1]

CA: Sure. It really comes down to the person. Several different financial experts and they are fine leaving their mortgages as is, but mortgages typically have pretty low interest rates and they feel like they can beat the interest rate by investing in the market. That's sort of where I am. I'm fine having a mortgage. Our mortgage is 3.5%. I'm fine letting it ride and continuing to invest.

However, if you're somewhat — You're thinking about this every day, Jessica, and it's really bothering you and you just want to wake up and not owe a dime to anyone, and it's weighing on you emotionally, then I do think that your emotions matter. If you can amp it up and pay it off quickly and then use the rest of the time to heavily invest depending on your age, you'll probably be fine either way. So I think this is an emotional question. It really comes down to Jessica's personal preference.

[0:24:19.7]

FT: I agree. I tend to agree with that. I will say though that if Jessica doesn't have sufficient investments for retirement and that you're looking at your timeline, your investment horizon, if you feel like you're behind in weather it's like your 401(k) or other retirement vehicles, that you beef those up first before paying down the mortgage. I feel like on the priority checklist, it's not the number one thing in terms of like just the mathematically smart thing to do and financially-wise thing to do. Emotions aside, and I know emotions matter a lot, but I want her to arrive at retirement debt free, but also with enough money in the bank.

I think you can get there. I think you can do both simultaneously, but I think it's more about, first, if you have to kind of go chronologically, like how much do I have saved for retirement. Am I where I should be?" How do you really answer that question? So some rules of thumb that we tend to use on the show and I've heard elsewhere and maybe you've got one, is you take your age. So I don't know, I'm 38, but I'm so closer to 40. A lot of the sort of metrics modules and timelines that the financial banks offer say that by 40 you should have about — I think it's 2 to 3 times your annual income saved for retirement. If you're closer to 30, it should be about your annual income saved. So if you're making about $80,000 a year around the age of 30, that's how much you want to have saved in the bank. If you're making about $150,000 closer to your 40s, then that's — You might want to have about $300,000 or more saved for yourself by then.

Some of you might be hearing this and like your ears are bleeding. I know that's really aggressive. These are kind of ideal benchmarks. But if you have been contributing 10, 12, 15% every year to your 401(k), I think you're probably in a good place. So make sure that that base is covered first, and then look to being more aggressive and how to be more aggressive with your mortgage. I mean, David Bach's written about it in Automatic Millionaire. It's no secret that you can. A lot of mortgages will allow you to pay more than just what's the minimum without penalty, and so one extra mortgage payment a year or paying every two weeks as supposed to once a month could get you that extra payment a year, and that can really chip away at that balance, and putting it towards the principal, not mortgage, not the interest plus principle is a faster way to knock down the balance. But good luck to you, Jessica, and let us know. As with everybody who asks questions, keep me posted on how things shake out.

[0:27:19.5]

CA: Yeah, good question.

[0:27:20.9]

FT: Okay. Sick sticking with real estate, Monica has a question about investing in real estate through sites like Fundrise and other sorts of crowd funding sites for real estate. She says that she'd like to start building a real estate portfolio. She's also saving for a down payment. You've found some interesting research on this, right?

[0:27:44.7]

CA: Right. Yeah, I found a great blog post from a blogger called Passive Income MD and be listed all of the different real estate crowd funding websites that he thinks are legitimate and places that he would use himself. This is sort of a newer thing, Farnoosh, and a lot of people are using it, but it is an alternative investment. This is something that if you had extra money to spare, you might want to diversify a little bit, then perhaps you can look into crowd-funding for real estate.

[0:28:18.5]

FT: Right. Thanks for doing the research. passiveincomemd.com is the website where he breaks it down, and a lot of these sites, just so you know, they want accredited investors. This isn't for people who have bad credit or are living paycheck to paycheck. It's an alternative investment. So at this point, if you reached this point in your financial life, you've paid off your debts, you're making up enough money to cover your expenses, and then some, you're saving and you've saved enough for 6 to 9 months in case of an emergency. You're paying into your retirement accounts and you're on track and now you're like, "Okay. I have a bit more money to play with," and emotionally, we talked about emotions earlier, you also want to be at a place in your financial life where you're okay with risk. If you are risk averse, I don't know if this is really for you.

Also, you have to like real estate. You have to kind of be interested in this, and I think that's another thing to point out. It sounds like she is. She looks like she wants to expand her real estate portfolio. When she talks about saving for a down payment, Kat, I just hope that she is not considering this real estate Fundrise investing strategy as a way to say for the down payment. That these are two brick activities that she's got her down payment account that she's saving into, and that she is maybe taking it a little bit more risk with these sites.

The other sites that he mentioned, Passive Income MD. Maybe I should get him on the podcast. Do you know him personally?

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CA: I do. I'll intro you.

[0:29:56.3]

FT: Please, because I love all things passive income, but he likes realty shares as well. He gives a bunch of places, Pierce Street, Alpha Flow, Rich Uncles, Realty Mogul, Fundrise, which is the one that she points out. His review of Fundrise — I'll just read. It's short. He says, "They market themselves as the alternative to investing in stocks and bonds. They provide access to private market real estate through their e-REITs and e-funds. You can build a portfolio using the various products to meet your goals. Some are available to non-accredited investors. Still, I'd say, if you're not like ready to lose some money, don't do something like this. It's just like how I —

[0:30:44.1]

CA: It's not a way to make a quick buck for your down payment for your house. It's something outside of that for sure.

[0:30:50.7]

FT: Yeah, and be careful, because I went on to some of these sites and they boast these really higher than average rates of return. Yeah, maybe in the past five years, like most investments, it's done well, but I'd rather look at like a 10, 20 year historical price chart and see how these investments have done. Some of them don't have the history, frankly, because they're young

[0:31:12.9]

CA: Right. This is like a newer thing.

[0:31:15.5]

FT: So take it all with a grain of salt. All right, last but not least. This is a goodie. I want to answer this question, because it's for a parent or a parent to be, and you and I are both mommies. So Megan says, “Is it possible to contribute to a Roth IRA for a future child.” She says, “My partner and I are not expecting, but we would like to start saving for college ASAP.”

All right. I know you've done some work with brands kind of in this space, right?

[0:31:45.8]

CA: A little bit, yeah. I think she’s asking the right question. I kind of feel like, Megan, no matter what you do, because you're thinking about this, you're a-okay. You’re going to be fine. Your child will have adequate college funds, and it's great that you’re asking about a Roth IRA for a future child. We know that's a great investment vehicle to choose, but I don’t think, Farnoosh, that you can open a Roth IRA unless you actually have a Social Security number, right? That you exist.

[0:32:16.9]

FT: Yeah. So you can open up a 529 plan for an unborn child. You just have to switch the beneficiary to your child, from you to your child once the child is born. But a Roth IRA, because you have to invest — The money that goes into a Roth IRA, the eligible dollars that can be invested in a Roth IRA have to be earned income. If you’re not alive, you haven’t earned anything presumably.

So the idea is that you have to be alive and you also have to be making money from an approved source. So that needs to happen. So, yeah, your child who’s 2, 3, 5 could be making money through various jobs, acting, model —

[0:33:01.3]

CA: YouTube.

[0:33:02.2]

FT: YouTube. If you have a business and you are employing your child for whatever, I think that can also technically be an eligible way to open up — Sorry. I think that can then constitute you to open up a Roth IRA in the name of your kid. So you're basically a custodian for this account until your child turns 18, then they can basically take over from there. But all the other same Roth IRA rules apply. You can't contribute more than 50 — Well this year, $5,500, and it cannot exceed. So, what's the other stipulation? It's something about — Oh! You cannot contribute more than what the child earned in that year.

[0:33:50.5]

CA: So if they only earned a thousand, you can't put 5,500 in there for them. They can only put in what they have earned.

[0:33:57.0]

FT: Exactly. So if your concern is college and you definitely know that your unborn child is going to go to college, then you might look into a 529 because that can give you the head start that you're looking for. But if you don't know, which I don't blame you, then a Roth IRA might be better, because you have more flexibility with the Roth IRA obviously. You can use that for a number of expenses, but it is the sort of account that you cannot open until your child is born and eligible earning money to be able to qualify for the Roth. I hope that makes sense.

The good news is, though, is that these sort of vehicles, the Roth IRA for a child, sometimes are called Kitty funds, Kitty Roth IRAs, they didn't quite exist like a decade ago. They are becoming more ubiquitous, and especially the bigger brokerages. So you can definitely go in and walk into your brokerage or call and ask about them to get more of the details. Some of the plans vary depending on the different banks. Obviously, the different investment access and choices, but I like where her head is at.

[0:35:06.0]

CA: Yeah. You're going to be fine, Megan. You're asking all the right questions.

[0:35:09.1]

FT: You and your children will be fine. I mean, she’s listening to financial podcasts. She's already ahead of the curve.

[0:35:14.7]

CA: She’s all right in my book.

[0:35:16.7]

FT: Exactly. All right everyone. Thank you for the questions. Catherine, thank you so much. Any plans for Cinco de Mayo?

[0:35:24.4]

CA: Oh! You know me. Just partying hard, Farnoosh. I don’t even know it’s coming up.

[0:35:28.5]

FT: At the gym and party plots. Yeah.

[0:35:31.0]

CA: Who knows?

[0:35:32.8]

FT: Well, it was really nice to catch up. As always, thank you for the advice, and we’ll be sure to send everyone over to catherinealford.com for more on keeping up with Catherine and just being inspired. She keeps it real and raw and we love her for it. We’ll have you back hopefully sooner than later.

[0:35:50.8]

CA: All right, sounds good. Thank you so much.

[0:35:53.3]

FT: Thank you, and everybody, hope your weekend is so money.

[END]