EPISODE 1473

[00:00:00]

FT: So Money episode 1473, Ask Farnoosh.

[INTRO]

[00:00:31]

FT: Welcome to So Money, everybody. Friday, February 10th, 2023. I'm Farnoosh Torabi, and you're listening to our Friday Ask Farnoosh sessions, where we go through some of your biggest money questions of late.

Today, we're talking about 529 plans, picking up the financial pieces after a divorce, and how to talk to your parents about their retirement plans. But here's the thing. You don't really want to help them out. You don't have a lot of money to spare. You don't have a lot of time to spare, but you are concerned. How do you broach the subject?

I promised you a review of Aladdin on Broadway. Well, it was fantastic. What can I say? It wasn't the best Broadway musical I've seen, but the cast and the orchestra, wow. Just wow. Truthfully, the best part, the best part was watching my kids watch the show. I know that's kind of cheesy. But, oh, my gosh, my daughter, especially, she's going to be six next month, she couldn't sit in her seat. She was so ecstatic. She was dancing. She was trying to sing along. It's everything you wanted, right? Like you take your kids to a Broadway experience, you hope they'll enjoy it, and she – Oh, my gosh.

I think she's going to be an entertainer. I don't know. Because I just found – you know, I go through their backpacks every morning and take out some of the papers that their teachers want us to take out of their folders. My daughter had this morning a note. It said My New Year's resolution. In her broken spelling, she had written that her New Year's resolution was to help others and to sing more. Oh, my gosh. That made my heart melt.

A financial tip, a savings tip, if you're looking to purchase Broadway show tickets, I got ours at todaytix.com. Todaytix.com is a digital ticketing platform for theatrical and cultural events. It was founded by two Broadway producers. They tend to sell last-minute theater inventory that would otherwise go unsold. So if you are flexible, and you can do last minute shows, TodayTix is a great place to look for deals. We booked in advance, about six to eight weeks in advance. So we didn't get the bargain basement price, but it was still less. It was still reasonable for Broadway. It was about 100 bucks per ticket, and we had really, really great seats.

In fact, little did we know, we had sort of the best seats in the house. We were on the balcony. But there's the magic carpet ride, and the magic carpet ride was all in our view. It was so great. It was almost like the whole cast was oriented towards stage right, which is our left. I think I'm getting that right. So if you're going to go see Aladdin in New York City, book seats that are facing the stage to the left, and the balcony is the best because you really get a broad, fantastic view.

I couldn't help but think as I'm watching like how much are these actors making? How much do you make when you're Aladdin or Jasmine on Broadway? Reading their bios, it was their Broadway debut, these two leads in this musical. So kudos, again, to the whole cast. We had a great afternoon. Todaytix.com, I'll put that link in the show notes.

This week, I put the finishing touches on *A Healthy State of Panic*, the final, final edits. Kind of scary. As I'm reading the book for the 20th time, it's incredible. I had like an out-of-body experience. I couldn't believe I wrote this book. What? I'm reading it, and I'm like, "Who wrote this? How did I have it in me to write this book?"

Now, it helps to give yourself time. I gave myself two years to write this book. Still, though, I don't know. For those of you out there who are artists or creators, whether it's a book or an oil painting or a song, do you ever get the feeling like you don't even understand how you did it? It really is jarring, but I love it. I love the book. I really do. I'm so, so proud of it. I cannot wait for you to read it. I cannot wait for you to read it and feel seen, to read it and laugh, to read it and learn about yourself and me and everyone who's been on the show. I've plucked so much from the podcast. This podcast has been such a source for this book. I didn't interview people on this show for the last eight years with the consciousness of writing this book. But you know what? It all is going hand in hand, and we'll be sharing the cover very, very soon. Stay tuned.

Speaking of books, I want to announce a giveaway of one of my favorite authors, a friend, a friend of the show. You know him well, Ramit Sethi. He is the author of *I Will Teach You to Be Rich.* Now, he has the journal *I Will Teach You to Be Rich*. I'm holding it in my hand right now. By the way, *I Will Teach You to Be Rich* has sold a million copies since its debut. Recently, Ramit came out with *The Journal: No Complicated Math. No More Procrastinating. Design Your Rich Life Today.*

I have 15 copies to give away to So Money listeners. I hear so often from the audience that they listened to me, and they listened to Ramit. Like if you listen to So Money, you probably also know Ramit. He and I have been in this game for a long time, longer than any TikToker, longer than any Instagram content creator. So we are in it to win it for you, and I just want to support Ramit because he has been a true friend. He's always giving me great advice generously. He spent like an hour with me on the phone, talking about book launch and things to do, things not to do. I just thought how can I repay this man who has everything. I thought, well, I'm going to support his latest creation, *The Journal.* So I have 15 of these copies.

How to win? There are two ways that you can enter to win. One, you can leave a review for this podcast. Extra points if you look up some of Ramit's past appearances on So Money, he's been on at least three or four times, and comment about one of those episodes what you liked about it in your review.

Now, I know a lot of you've already left reviews, so that's not the only way you can participate to win. The second way is to create an appreciation post on social media, and it can be a story. It can be a post. It can be a video. It can be a graphic. But wherever you hang out on social media, it can even be LinkedIn, but make sure to tag me and Ramit, okay? Tag me and Ramit.

Preferably, though, you do it on TikTok or Instagram because that's where most of our audience hangs out, and that's where, I think, you'll get the most traction. But create an appreciation post about this podcast and *I Will Teach You to Be Rich*, which, by the way, is a podcast too. Tag me and Ramit. The more creative, the more personalized, the better. I have 15 of these journals to give away, so you have a very good chance of getting one, if you do one of these two things. If you do both, extra points, okay?

I'm going to put these directions in the show notes, so you can see clearly how to participate. I'm going to keep my eyes open for all those tags, and we're going to keep it open for about a week. I really want to give these journals away. I want you to have this. This is really, really cool. This journal – I'm not a journaler, but there are so many fantastic prompts, so much advice. If you liked *I Will Teach You to Be Rich,* the book, you will love the journal. So I look forward to your posts.

If you missed any of our episodes this week, please go back and listen, okay? On Monday, Caitlin Murray, the Founder of Big Time Adulting, came on the show, someone I love to watch on Instagram. She is so real and unfiltered on Instagram, talking about her day-to-day as a mom, and it's so relatable. Her story is incredibly powerful, how she even started on social media. It started with a sad story, which was that her son, her eldest, was going through chemotherapy for leukemia.

Of course, that is just every parent's nightmare to see your child suffer like that. She used writing as a way to keep her family and friends informed of what was going on but also really, for her, a creative outlet, a catharsis. Through her beautiful, hilarious writing, she found an audience and has been growing that audience very quickly online. I mean, just to tell you how popular she is, she came on the show. I looked up her Instagram account. I think it was like 495,000 followers.

Three days later, it was like 511,000 followers. What? Do you know it takes me a year to get 10,000 new followers? She's getting that in three days, in five days. People are flocking to her candidness, and she talked to me on the show about how she's not really doing any brand deals or sponsorships. She's really playing the long game, which we talked about on this show as a key to success, delaying gratification. She's not getting paid to show you her teeth whitening journey. She is being very, very selective, focusing just on growth right now and later monetization. I had to respect that.

Then, okay, the collaboration you didn't know you needed. But on Wednesday, I invited Haley Sacks, also known as Mrs. Dow Jones, to So Money. Haley and I are, essentially, best friends now. We're getting coffee. It's happening. We're looking at ways to collaborate even more because we so enjoy each other's companies, and we are so aligned when it comes to our thoughts and visions around financial wellness and connecting with our audience. We're very different, but we are also so alike.

I hope you'll listen to the show. We talked about her beginnings. By the way, she doesn't really do podcasts, so this was a rare treat. She talked about her journey to becoming Mrs. Dow Jones, which began with a stint at the David Letterman Show, followed by SNL. We talked about taxes because it's that time of year and so much more. So check out Mrs. Dow Jones on Wednesday.

I feel like I'm on a streak here with such great guests on So Money, and the streak continues next week. We have Hannah Williams, Co-Founder of Salary Transparent Street. You may have been seeing her work. She has been covered on NPR and CNBC. Her social media is blowing up, where she goes on the streets, stops people on the street, asks how much do you make, and people talk about it. It is such important work.

Then Tara Schuster will be coming on the show Wednesday. Yes, that Tara Schuster, the author of *Buy Yourself the F*cking Lilies.* Has a new book out coming soon called *Glow in the F*ucking Dark*, and we're going to talk about how to do that, how to perform self-care during your most difficult times in life. I cannot wait to share all her ideas next week.

All right, y'all, it's time to answer your money questions. We've got questions from Hannah and Kendra and Roya and Chloe. Let's start with Chloe. Hi, Farnoosh. Credit cards and refunds have always confused me. Let's say I purchase a $500 television and a $100 pair of jeans during a credit card cycle. My total balance due when the cycle ends is $600. But the next day, maybe I return the jeans, the $100 pair of jeans, and that amount is credited on my account after my credit card bill has posted. My account balance is now only $500, but the statement says I owe $600. Do I still need to make a payment of $600 to avoid the interest on the extra $100? Or will a $500 payment be enough to cover the entire balance without interest? As always, I love your show, especially these Friday episodes. Thank you for keeping it real.

All right, this is a really good question. I never got this question before, but it's valid. It happens to all of us. We buy things. We return things on the credit card. Usually, it does take anywhere from a few days to a few weeks for that money to be credited back to our credit cards. But keep in mind, if you're paying that credit card balance off in full every month, there's no interest, right? I guess I've never had this concern about returning things and then, oh, but it's not going to get really returned, financially returned back to me for another month or three weeks. By then, I've already paid this cycle because I'm not paying the minimums. I'm paying in full. So if you can commit to doing that, then this is a non-issue. This is a non-issue.

However, I can see, where if you're just making minimum payments, then you are paying interest on a purchase that technically you no longer made. But because of the cycle and when things get returned, there is a gap, and then you are going to pay interest on something that you technically didn't hold on to. That's a bummer. It's just a bummer. What can I say?

But we've got to remember that. Credit cards have pros and cons, and I think of credit cards as conveniences, a convenient way to pay. Because when I use a credit card, it allows me to see all my transactions in one place. It protects me in some ways, right? If I make a purchase, and the item shows up, and it's broken, or it's defective, or it never comes, or it never arrives, then you know what? I'm going to dispute it, and it will get taken off of my balance, while the credit card looks into it on my behalf.

I remember a lot of these benefits to being a credit card holder. It's not in our financial best interest to just pay the minimums because of interest and because of compounding interest and because of moments like these, where you might return something, and it doesn't get accounted for until the next pay cycle. If you pay 500 instead of 600, well, then you might not get charged a late fee because I'm sure that's more than what the minimum is. But remember, you're carrying balance now, and that $100 balance is going to get charged interest. There's really no way around it. Sorry, I don't have better advice, but maybe just a reminder why it's important to pay your balance in full. Then interest is never an issue.

Okay, next is our friend, Roya, in the audience, who wants some advice for divorced women. She says, “I'm almost 40, and I'm starting from scratch. What are your tips on what I should do?

Focus more on retirement or buy a house? I have three kids, and I'm the primary caregiver. My kids do not have 529 nine plans, but I would like to set them up. That's a whole other confusing topic, which I would appreciate some guidance on as well. Thanks in advance."

All right. So we actually do have a question later, Roya, about 529 plans, so I'll hold off on that until we get to that question. But to address your bigger question about how to start over after a divorce, if you are starting from scratch, then you know what? We go back to the basics, which is not, in my book, buying a home. It is earning, securing income, and saving, and saving, earning and saving. Then if you have access to a 401(k) through your job or you can start a Roth IRA, invest in your retirement plan simultaneously.

Question for you, what is your ex's financial commitment to your kids? Are you getting any alimony? Can you talk to your ex? What has been settled there? Can you both contribute to a 529 plan together for your children? This advice I would give to anyone who is in your shoes, Roya. Your financial house is priority right now. Building that from the ground up means income and savings, investing in a 401(k) or an IRA.

Then communication with your ex, as difficult as it may be, can be an asset. It can be very helpful, as you are trying to navigate supporting your children together, financially supporting your children together. Are there costs that you can share? Are there ways for you to both invest in their college education fund?

Also, Roya, and everybody who's wondering about this, your credit is also critical. You may not have been thinking about your credit while you are married. But right now, as you are on your own, independent, and if you do want to eventually buy a house or get a car or finance any purchase, you want to make sure that your credit is intact. You can go to annualcreditreport.com Look at your credit history. Then wherever you are banking, ask them for your credit score. They usually will have it, and you can access it for free.

Then lastly, Roya, if you want to know about another investment that I like for women in particular post-divorce is investing in your mental wellbeing and your physical wellbeing, therapy, exercise, carving out time for yourself. You say you're the primary caregiver. That's a lot to be taking on, as you know. So again, a conversation with your ex like, "Can we navigate childcare together somehow? And if not, carving out some of your income that you're earning to invest in childcare." It's going to be annoying because I don't think you should be the one paying for it. I think both you and your spouse should pay for that. But if you are on the hook for that, for whatever reason, it's still a good investment. It's still a wise way to use your money, to earn back your time there.

Also, I want to just say this. Financial planners who are certified in divorce analysis, who specifically work with people in post-divorce who may need some professional guidance. So when you feel ready for that, you may want to look that up. That's two designations. It's the CFP, certified financial planner. Then additionally, certified divorce financial analyst, CDFA. So look for those two title designations, for anybody looking for a financial planner that has expertise in post-divorce money planning. Roya, thanks so much for listening to the show. I'm so happy to know you're on the audience.

Okay, next up is Kendra, who has a question, kind of an awkward question, about addressing her parents' retirement. Here's what she says. "Farnoosh, I've been wondering for a while now about my parents' retirement plans. I'm in my early 30s. I'm the youngest with two older brothers who are both around 40. I assumed that my parents want to discuss their retirement plans with my brothers, but that has not happened. My mom had a stroke a few years ago, so it's even more important for them to have sufficient plans for stability and access to excellent health care. I would like some peace of mind that my parents have a plan, but I don't want such a discussion to be construed as me offering to help financially or caregiving. I've worked so hard over the past decade to eliminate debt and debt expedite my financial wellbeing, despite a very frugal upbringing. Is this discussion my responsibility?"

All right, Kendra, I so appreciate you coming and reaching out to me about this question. You're very caring, firstly. You care. Okay. I know that you don't want to be on the hook financially or time-wise to take care of your parents, but you do care. I think coming from this place of honest to goodness care, approaching this with your parents and saying, "I just want to make sure that you have a plan."

Remember, there are ways that we can be helpful to our parents, without writing a check, without taking hours and hours and hours out of the week to support them. Just, one, being a sounding board, first of all. Letting them talk and just hearing them out and listening can be very, very soothing to someone perhaps in their life stage to feel like they can talk about this, and they can have a discussion. Through that, maybe you could help them with any loose ends. Like maybe they need a referral to an insurance agent. Maybe they need to hire a medical advocate, a Medicare advocate to help them navigate their health insurance. This isn't stuff that requires money from you or a lot of time, but it's just a nice thing to do as a daughter.

What about their sons? I think that before you talk to your mom and dad, talk to your brothers, okay? Where are your heads at? I can't be the only one in this family that has any care and concern for mom and dad's future wellbeing. So how can we as a sibling front come to our parents in kind, with respect, and ask them about what their plans are? Again, this isn't about you all three wanting to like get in there and roll up your sleeves and take care of things. But I think that, ultimately, being proactive is way better than, God forbid, something happens to your parents, and their problems will find their way to your doorstep.

This is not your responsibility, Kendra. But I have a sense that because you're asking this question, you do care. It's weighing on you. So talk to your parents. I don't think that there should be an expectation that you're going to come in there and start writing checks and taking things over and being their medical advocate. I just think that it's a natural curiosity for someone who is in her 30s, and her parents are aging. We should normalize having this conversation with our parents.

So parents in the audience who are in your 50s and 60s and older and if you have adult children, know that they are thinking about your future, and they do care, and they're not coming from a place of like mom and dad don't know what they're doing. It's just that probably they've seen so many disasters, catastrophes around them, where parents didn't talk to their kids about their finances, and the kids only found out too late that there were real problems to address.

So even if it's just a quick conversation with your kids that you start and you say, “You know what? I just want to let you know. We are looking forward to our retirement. We've got some ducks in a row.” I think that all aging parents and their adult children should, if you have a good relationship, have some transparency about certain things like a list of usernames and passwords for the various bank accounts, a contact sheet of the various people in your parents' lives that are helping them with their finances, life insurance, will, all those things. So important.

It's like no matter how old our parents get and how old we get, there's still that parent-child dynamic. That is wonderful, but it can make things unnecessarily challenging. I think we need to be real. We need to recognize what is happening. We are all getting older, and we should be able to have these more mature conversations. So I don't want to put this all on the kids. A lot of times, it's the kids coming to me and saying, "Oh, I want to talk to my parents about money. They won't talk to me, and I don't know what's going on, and I don't want to be nosy."

It's like, parents, what are you doing? Please recognize that this is so important. I'm sure there is a scenario that you can identify in your own life, where an older friend suddenly dies or suddenly cannot make financial decisions on their own. What then? Maybe a spouse steps in, but what if the spouse can't step in? What if there is no spouse? What if the spouse can't step in? What if they're a divorced parent, and they don't have a partner? So then the de facto becomes maybe the adult child who's coming in completely clueless, and that's not fair to that child who is now also grieving.

So, Kendra, I feel you. I think your head's in the right place. Talk to your brothers, go to your parents as a united front, and just say, "We want to hear you out. We just want to be a sounding board. But if there are things that you're curious about that we can help with, let's talk about this now."

Last but not least, a question from Hannah, who has the 529 question. So going back to Roya, perk up, Roya. This is where I'm going to give you more of the 529 advice. But Hannah has two kids, a three-year-old and a 10-month-old. They do have one 529 plan that they're contributing to, and she wants to know, should she open up a second 529 plan. They have two kids, so that may make sense. But also, is there any benefit to just having one account? She's thinking maybe they can maximize the compounding interest with just one account versus two.

All right, so a little primer on 529 plans, what are they, quick definition. They're college savings plans that are administered by every single state in this country. As a resident of your state, you don't have to go with your state's plan, although you may want to because some states offer residents who invest in their 529 plan state tax breaks. Not all state plans but some. So do some research. Start with your state's plan. You can go to savingforcollege.com to learn more about 529 plans, all the different state plans, the different rates of return, historical rates of return for all the state plans, and go from there. You can open one up online. It takes minutes. You can open up one through your financial advisor as well. But they're essentially going to do the same thing you would do. They're just going to do it for you and save you time.

Now, the question that Hannah has is do I do one account or two? Because your children are three and 10 months old, theoretically, they will have an overlap in college. So the thing to keep in mind when you're opening up a 529 plan is that you can designate only one beneficiary at a time to this account. You can switch the beneficiary at any time, but it can still only be one beneficiary. So if you put all your college savings dollars in one basket in this 529 plan, but you have two kids that are going to be going to college at some point at the same time, and you need money for both of them, you're going to have an issue, where maybe you start with the 529 being for the older kid. The older kid hits sophomore year of college. The second kid enters college, and then you transfer the 529 to the younger kid. But the older kid still needs money, right?

So having two 529 plans for kids, especially if you've got kids where there is a potential they'll be at college at the same time at some point, you want to have two different plans. As far as whether having one or multiple plans will impact your compounding interest potential, I don't think that's true. I think if you're investing in similar things in these plans, contributing a similar amount on a similar schedule, they should theoretically grow at the same pace and compound at the same pace, right?

I think that might be a little bit of a misnomer that one account is going to offer better compounding than two separate accounts. But as always, keep the questions coming. Sometimes, you have follow ups to my answers, and I appreciate that, and I will address that on the show.

Thanks so much for tuning in today, everybody. I hope whoever you're cheering for in the Super Bowl wins. In our house, we’re cheering for the Eagles. But truth be told, I probably won't be watching, except for the commercials because that's me. Appreciate you all. Thank you so much. I hope your weekend is So Money.

[END]