EPISODE 1623

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FT: Welcome to So Money, everybody. It is Friday, January 26th. I'm recording this episode from my basement. That's not a joke. It's Friday morning actually. The reason I'm in my basement is so that nobody wakes up. My kids usually get up around 7:30. It is around 6 am. And I cannot afford for them to be walking around the house right now while I'm doing this. I got a little bit of a late start to recording this episode. Yesterday was a whirlwind, to say the least.

I hosted my very first live popup workshop. So Money Popup Workshop. Hundreds of you registered for this live workshop. And I'm really grateful it went really well. The workshop was all about savvy investing simplified. It went on for 90 minutes. A little bit longer than promised. But talked about the anatomy of the stock market. How it works? How to open the best accounts based on your goals? Where to invest? What to buy? I even showed I had some screen grabs of where I'm investing. How I'm designing my portfolio?

And so, many are now asking, "Farnoosh, are you going to do this again? Are you going to put this webinar up?" And I say, "Well, here we go." I'm going to announce something. I have an early announcement. I've only announced this to those who signed up for the webinar yesterday and now. Everyone in the audience is going to hear it.

I have been working on something it's called the So Money Members Club. And this is going to be a monthly membership where you and I get to work together more closely on important topics that you have already told me you want to learn more about. Investing was the first one. We kicked that off yesterday. And that webinar, that workshop will be available to anyone who registers for the So Money Members Club.

Additionally, as a So Money member, you get a new live workshop every single month that will be recorded. So, you don't have to join live if you can't or don't want to. You can always access it whenever you want. There's also a live office hour with me every month where you get to walk in, and walk out, or stay. Ask me questions. Chat about the webinar. Chat about what's going on in your life. Get my help.

We also have a community. I created a membership community so we can chat on the go. And you can connect with all the other fabulous people in the So Money Members Club. And all the workshops are recorded. If you'd like to learn more about this program, I have the Link in our show notes. But here's the URL. I've made it simple. It's somoneymembers.com. Somoneymembers.com. It is $29 a month, which will go up. But as an early member, as a founding member, I want to make this a no-brainer for you. I want to overdeliver for you. And I hope you'll join. The price is going to go up in a week. This is your chance to get in at the lowest possible price of $29 a month.

I actually have some questions from yesterday's webinar that I didn't get to. I've reserved them for today. I promise everybody if I can't get to your question – we did a lot of live Q&A. A lot of folks emailed me before the webinar. I incorporated their questions into the presentation. It was really amazing. I would be so sad if no one ever replayed this workshop. Because it was – truly, I'm really proud of it. And, clearly, there was so much more we couldn't get to.

So, I'm reserving some of those questions for today about how to invest if you're an entrepreneur. A question about socially responsible investing. Where to go? What to invest in? It's also a question on the audience from our friend, Percy, who wants to know about life insurance. How to navigate this? How do I know how much I need? What kind of term do I get? How do I know which insurance company to work with? Because you want to work with someone you trust. I got answers.

Let's first discuss the episodes this week in case you miss them. I haven't done a very good job of promoting this week's episodes because I've been so head down in this workshop. But if you haven't checked out Monday's episode called Tightwads and Spendthrifts. I interview Scott Rick. He's a behavioral scientist at the University of Michigan's Raw School of Business. And he just wrote a book called *Tightwads and Spendthrifts*. And it's all about how couples can navigate mishmash spending habits.

You're a spender. Your partner is more of a saver. And so, how do you find common ground? How do you manage the money in the relationship? And if you've got kids, how do you model for them so that they don't take on the tendencies of the tightwad or the spendthrift? It was a really fun conversation. And he also gets into the sticky issue of gift giving, which if you've ever been in a relationship and you've given a gift and it's been awkward, well, we talk about that. That's episode 1621 from Monday.

Oh, and on Wednesday – please. Harlan Cohen is such a gift to the world. Please listen to that episode. He's a New York Times bestselling author, and journalist, podcaster. He primarily focuses on helping young adults, high school, college students. But I follow his knowledge because I just think his wisdom, it is so applicable to life today as a 44-year-old mom of two.

I mean, the things that teenagers and young adults deal with, I deal with still. Rejection, and failure and all of those things. And so, Harlan graciously came on to the show on Wednesday and we had a ball. We had it blast talking about – a lot of it was about rejection. Because he has a new book out called *Win or Learn: The Naked Truth About Turning Every Rejection into Success*.

All right. Let's go to the Apple Podcast review section and pick our reviewer of the week. A lot of so lovely reviews lately. It's hard to pick. This person is going to get a free 15-minute money session with me. And this week we're going to say thank you to ColoradodojI. Am I saying that right? ColoradodojI? Who left a review calling me her best financial friend, "Farnoosh is my BFF," she says."

I like that. I'm going to trademark that. Can I trademark that? Probably not. It's probably taken. Here's the review. I'm going to trim it because it's quite long. "Farnoosh, I've been a dedicated listener of your podcast, So Money, since its inception. And I can confidently say that each episode is chock-full of practical financial and business advice. Farnoosh has a unique ability to make the complex world of finances accessible. And her insights have been invaluable in enhancing my personal wealth and financial security. So Money isn't just a podcast. It's a reliable companion on the path to financial well-being and entrepreneurial success. If you're looking for a podcast that seamlessly blends practical advice with a friendly and enjoyable atmosphere, Farnoosh's So Money is a must-listen."

And it goes on and on. I'm so flattered. Thank you, ColoradodojI. You left the review earlier this month. And I would love to extend a free call to you. A free 15-minute phone call. Just email me, farnoosh@somoneypodcast.com. You can also direct message me on Instagram @farnooshtorabi and let me know you left this review and I'll be in touch very quickly with link where you can go to select a time for us to chat.

And this is open to everybody listening. If you want to leave a review for this show, the best place to do it is in the Apple Podcast App. Because that's where they have reviews. They don't have them on Spotify. If they did, I would offer it there. But for now, it's just on Apple Podcasts. Every week, I'll pick one reviewer. And that person, if you like, will get a free 15-minute money session with me. Some people never get in touch. And I wonder why. But maybe it's because they're shy or they didn't catch their names. Why it's, again, really important to listen to the show, especially if you've left a review. You might get a free call.

All right. Let's head over to the mailbag. Susan has a question about investing in exchange-traded funds or mutual funds that support a specific social cause or group, like women entrepreneurs, women's health, climate action groups. She doesn't want to invest in companies that engage in greenwashing or just these ESG principles. Like, they check the box. How do I find companies or funds that have integrity about values that I care about?

All right. I'm going to ask you to go grab a pen and paper because I've got a long list of places to go check out. These aren't specific companies or funds. But these are largely places you can go online to screen and review different investments that may align with what you're looking for. And everybody else, if you're interested in socially responsible investing, we've actually done a few episodes on this on the show about how to create a portfolio that is entirely socially responsible.

I mean, it's kind of hard, I will be honest. Because there is difficulty like our friend here talks about in like sort of screening and getting to the bottom of these companies' investments and these funds' investments. But technically, everything is supposed to be out there. You are welcome to go and do the research.

And so, I'm first going to start by giving you some screening tools that are popular online that rate for sustainability in mutual funds and ETFs. The first one is Morningstar Sustainability Ratings. Morningstar Sustainability Ratings. Just go to the Morningstar website, morningstar.com, or just Google Morning Star Sustainable Ratings. And they periodically update a list that includes their favorite mutual funds and ETFs.

There's Sustainalytics. It's an ESG research and ratings provider. They give detailed reports and ratings on companies to help you make better-informed decisions. Then there's Bloomberg terminal. Bloomberg Terminal provides ESG data and analytics through its Bloomberg Terminal. Which, if you've ever used one, you know it's just like an abyss of information. And the list goes on. But those are some ones that I recognized. When I searched for this, I was like, "Oh, I know these guys. I know these players." Morningstar, I trust their ratings. Bloomberg, trust their data.

And then on our webinar yesterday, we talked about some top-rated investment platforms or robo-advisors where you can go and leverage the algorithms to help you create a portfolio based on a questionnaire. Well, there are actually some robo-advisors that specialize in socially responsible investments. We didn't get into it on the webinar. But I'll give you some of those places to check out. Those platforms to check out.

One is Wealthsimple. Wealthsimple offers an SRI portfolio. It's called Wealth Simple SRI. And they have already scanned these companies. They believe they have strong practices and that they aim to align with the values of investors like you, socially-conscious investors.

Betterment, a very popular robo-advisor. They also offer a socially responsible portfolio option. Elvest. While not exclusively ESG-focused, Elvest is designed to focus on women investors. They also provide investments in companies that support women in leadership and prioritize diversity. I will include these resources in our show notes in case you miss them. Make it a little bit easier for you and anybody else.

Percy wants to know about insurance. This is a great question. Because I've been through it all with insurance. And I've got life insurance. I've got disability insurance. I just got more business insurance. Oh, I got umbrella insurance. Do you know what that is? It's like when you want to have additional insurance that would kick in when your auto or home insurance is not sufficient.

But I'll tell you one thing, you better have a good clean driving record or like not a lot of claims on your home insurance policy. Because that may disqualify you from umbrella insurance. The insurance agent who I worked with, lovely guy, he came to me and he was like, "So, I was doing your background check and the insurance companies are a little worried that you had a couple of car insurance claims in 2022." And I was like, "Oh, yeah. I was writing my book and I had book brain. And I was not a good driver. I didn't hurt anybody. But I would accidentally miss a curb and flat my tire. And it would have to go into the shop. And it was more than a flat tire. It was like a hole. I had to get like the whole front of the car replaced. And so, I had insurance get involved. And that was one thing."

And then another thing, I was leaving a gas station and I made a right turn and I just made it too quickly and the side of the car rubbed up against this pole, which I didn't see. I feel like the pole wasn't there. But it was. And I'm laughing but I was crying at the moment. Time heals. And I had to get insurance involved. That was two events that my car insurance got involved in in like a span of 3 months.

And, again, book brain. But I can't explain this now to this perspective umbrella insurance provider. I just said, "Look, nobody got injured. The first incident, it was an icy road." He's like, "Okay. Okay." This insurance broker was essential in helping me secure umbrella insurance he advocated for me.

And I think, Percy, that's the thing you want to look out for. I've never fortunately been involved with like slimy insurance people. I would encourage you to go and look for an insurance broker and through word of mouth. You can even just – I went online and I searched for someone who was in my area and just emailed them first just to see who was the most responsive. And this person was the most responsive and got back to me. And was very efficient and helped me very quickly.

There's no strings attached when you're working with an insurance broker. I mean, you can fire them at any point. Don't sign anything. And I didn't. Until the very, very end. And so, you can go with that confidence that you're not locked into this relationship from the very beginning. But the agent or the broker can be really helpful in helping you navigate all the options out there. They come back to you and they present the most viable options and the price points.

And, obviously, they do make a commission. But these days, everybody knows that when you're making a commission on something, there's a chance that you might be biased. And so, he gets ahead of it. The good insurance brokers will get ahead of that. They'll give you the pros and the cons of every single offer. They won't just give you the pros of every single offer. Those are some things to just look out for when you know you've got a good person who's giving you a balanced and honest overview of what's available to you in terms of insurance.

Okay. But Percy has some other questions about how to know how much life insurance to get. Do I get 20 years? Do I get 30 years? Well, first of all, they say usually you want to get about as much as 8 to 10 times your earnings today in a life insurance policy. If you make $100,000, you know, a million-dollar life insurance policy is a good place to start. But then on top of that, you might want to think about what else you might have going on that you need to protect. Maybe there are multiple dependents in your life beyond children. Maybe there are aging parents, or nieces and nephews, grandkids that you want to have taken care of in your absence. That would, in those cases, mean that you may want to increase your life insurance amount.

In terms of the term, and I recommend term life insurance policies for most people. It's cheaper and gets the job done. For this, you want to think about, if you get it today and it expires in 20 years, where does that leave you? Where does that drop-off leave you and your dependents? And any other sort of financial obligations you want to have covered in your absence?

For us, I got to check the policy again. But I think we termed it out, so that until our kids were 25, this policy would exist. This life insurance would exist. And after that, they're on their own. I probably would still get more life insurance even if it wasn't for my kids but maybe it's like for my husband. We each have our own life insurance policy.

I think when you're married, you're in a joint financial relationship with somebody or your finances are impacting somebody else, very important to have life insurance. And I would even say, and this is going off on a tangent and this isn't what Percy asked, but since we're on the topic, if you're a stay-at-home parent, if you don't work outside of the home and earn a paycheck outside of the home, you should still have your own life insurance policy. Because you are bringing a lot of value. You know this, right? To your household.

In your, God forbid, absence, your family would just would be scrambling for a lot of reasons, but financially, too. Right? Because they need to now replace the person who was doing all of the things and maybe bring in hired help. Child care, for example. This is something that sometimes people who don't earn a paycheck don't think that they're necessarily the ones who need to be getting the life insurance. But I would push back on that.

And then in terms of how to decide which insurance provider to go with, again, the insurance broker can help you with that. And sometimes through your employer, you are getting a little bit of life insurance if you're curious about what else they might offer in addition to the little bit you're getting. Sometimes people like to go there. It's a place to start. And look at what it would cost. But there are so many insurance quote sites out there. I hate them to, be honest. Because then they have your phone number and your email and it just becomes this barrage of sales marketing. I would rather find a person who's going to go and do the work for you. And, again, really important to make sure that they're being very transparent with you, which the good ones tend to be.

Next question is from Yvette who wants to have some investing options for entrepreneurs. What are some ways entrepreneurs in their early stages of business can invest and we're not making a lot of money yet? Yeah, I get it. On the presentation yesterday on the live workshop, I talked about how just $10 a day, 300 a month can lead to hundreds of thousands of dollars in retirement if you simply follow the S&P 500 Index.

Now that's based on historical average returns, which is about 7% after inflation every year. And if you have faith in that, that's where a lot of people do put their money who want to keep it really simple. And, again, you don't have to be rich to invest. But you have to invest to be rich. And even as an entrepreneur, I think it's important to create these boundaries in your financial life where it's like I'm going to invest this much money in my business and I'm going to invest this much money in me via the stock market so that I can retire with some money.

Now, I know, so many entrepreneurs, we're risk takers, right? We're putting it all in the business. We're putting it all in this idea. I admire that. But is it realistic? Is it practical? Yvette, I would say taking – every time you make some money, taking 10% of that or whatever percentage feels comfortable to you and putting it in a total stock market index fund for the time being. Or you can go on to any one of those robo-advisers we talked about on the webinar yesterday. There's Fidelity, Vanguard, Charles Schwab, Elvest. They can also set you up a lot of times with a very low or no minimum to get you into a diversified portfolio and then you decide the allocation. Which, again, I would say a healthy amount is like 10% of every income stream, every paycheck that you get every month.

You can also open up a SEP IRA or a solo 401K. These are designated for entrepreneurs. They're retirement portfolios. Earlier, I was talking about the S&P 500 and these robo-advisors. You can open up a SEP IRA. Typically, through one of these robo-advisors, you can include a total market index fund in these accounts. But if you want to have more liquidity and flexibility with your investment portfolio as an entrepreneur who doesn't know when she wants to retire, I would say a brokerage account would fit that bill more. If you wanted to have something that was more flexible and accessible to you, you can take those withdrawals out without penalty. These retirement accounts, these SEP IRAs and solo 401Ks. Just like a 401K and just like a traditional IRA, they have limitations as far as when you can take out the money tax and penalty-free. And that's usually at 59 and a half. Lots to chew on I gave you. But if you have more questions, you know where to find me.

And then lastly, Elena. She says, "I have a job." He has a question about what to do with an old pension. She has a pension from a previous job. Remember pensions? First of all, I got this question and I was like, "What? Who has pensions? This is amazing."

She has one and it's got – she said only about $20,000 in it, which it's not a little bit of money. She wants to protect it. And right now she says it's not making much. It's making like $300 a year. Yikes. What should I do with it? Keep it there? Move it to my current 401K?

All right. I have some ideas for you, Elena. First of all, how cool is it that you have a pension? It's such an antique. I think before you do anything, you want to look at the terms of your pension plan including any penalties or fees for transferring the funds. That's first thing. If you don't want to leave it in the pension, you're not going to get penalized for this.

Few options. One is you can roll it into an IRA. You can roll your pension into an individual retirement account, which the pros there is that you get more control over the investments and probably more access to different kinds of investments and growth opportunities. The downside is that, well, you have to be on top of it. But I think if you work with a robo-advisor, you can kind of set it and forget it.

You can, as you mentioned, roll it into your current 401K, which you might like because it streamlines things. There's something nice about consolidation. Everything under one roof. The downside is that 401Ks, relative to IRAs, the options are fewer. There are still many options. But it's fewer than IRAs. And the fees can vary. And you may not get as many options in the low feed category. But look at the rules and regulations and make sure that you can do this without too much penalty.

Because if you're going to lose half the value of the pension because now you have to pay a penalty plus tax, I don't know. Something nice about a pension, right? You get these steady payments that you know. That's why they don't take much risk with pensions because these have to be paid out.

And that's our show, everybody. Thanks so much for your patient. This didn't air normally like it does in the mornings on Fridays. But I know you're a forgiving crowd. I will see you back here on Monday. On Monday, our guest is Vrinda Gupta. She's the founder of a new company called Sequin. And get this, it's a financial institution just for women. A bank for women. Stay tuned. I hope your weekend is so money.

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