Chris Hutchins of All the Hacks Discusses HSAs, ETF Investing, and More

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I love this podcast because it crushes your dreams and getting rich quick. They actually got me into reading stats for anything you're tuned in to the Investing for Beginners podcast led by Andrew Sather and Dave Ahern with a step-by-step premium investing guide for beginners. Your path to financial freedom starts now.

[DAVE] All right, folks. Welcome to Investing for Beginners podcast. Today, We have a very special guest with us. We have Chris Hutchins, who is an avid life, hacker, financial optimizer, and host of the talk reg podcast, all the hacks. He also works for both front, and he's here to join. And talk to us about a wide range of different topics and different things.

That'll be kind of fun. He's a really interesting guy. And I think you guys will get a lot of great stuff out of this conversation. So, Chris, could you say hi and I guess you tell us a little bit about yourself, and then we'll kind of go from there.

[CHRIS] Yeah. Hey, thanks for having me. Gosh, I have a different background. I always say like Jack of all trades master of none; I've, I've started a few companies, sold a few companies, worked as a venture capitalist, worked as an investment banker, you know, dabbled in all kinds of side hustles and projects, and ended up today hosting a podcast to talk about, you know, optimizing and upgrading your life without spending too much money.

I run a new product strategy on Wealthfront, where I'm trying to come up with new and better products to help people build their wealth.

[DAVE] Yeah, that's awesome. So I would have to say that you're a slacker because you've really underachieved because you're so old and you've done all these things in a very short amount of time.

So I'm curious about the optimizer thing. So you've mentioned that several times in our conversations, you talk about it on your podcast, and it's on your website. What does that mean to you?

[CHRIS] Yeah. I mean, it's really just, I thrive on kind of efficiency and outcomes. It feels like, you know, everything you do in life could be this puzzle that would get you a better outcome if you just kind of put the pieces in the right place.

So I always give these crazy examples of I'm the person that's driving down the—looking like seven stoplights ahead. And if I see that it's about to turn red down the street, I'm like, oh, I know that if I, if I turned right now, I'll get home faster. And I can't even hold that back when I'm in a car. So if I'm taking a Lyft or an Uber, I'm like, oh, you can, can you just turn right now?

And so I've got to learn to let go of the things that don't matter. I got some great advice from a guy named Rameet Satie who has a book called I will teach you to be rich. And he said, look, you don't have to stop. Just up-level what you're optimizing forget about optimizing the 10 seconds on your ride to, and from work to start thinking about how to optimize your wealth, start thinking about how to your family and how you spend your time.

And so, you know, I'd like to say I've given up some of the subtle optimizations. I used to be such a credit card point nerd that if I didn't use the right credit card for the right purchase, it would haunt me. And now I, you know, I can get over that, but, you know, I had a bill the other day for the AU pair agency we use and, you know, it was a $9,000 credit card charge for the childcare for the year.

And I was like, yeah, I'm definitely gonna use the right card for that purchase. Cause that's a big one.

[DAVE] Yeah, no kidding. All right. Let's talk a little bit about, uh, your career, kind of how you started, and how you kind of got to here. So I guess, were you one of those kids that, you know, had the lemonade stand when you were six and had a newspaper route when you were seven and were already starting to build your own business when you were 12 kinds of thing, you've done a lot of things.

And so, where did this start? Where did this begin?

[CHRIS] Yeah, it's funny. I asked my parents this question a few months ago when I was doing another interview. I said, oh, I'm tagged. Before I did this interview, was I an entrepreneur my whole life? And they were like, well, yes and no, like you didn't start businesses.

You didn't have the paper route. Um, you know, you definitely had the lemonade stand. You were always kind of coming up with some different schemes here and there. I remember I think I got my parents to pay me to cut off a rat tail, like four different times in my childhood. So I definitely had an inkling towards like, you know, schemes and quick wins and making money in different, weird, strange ways.

But I was not the perpetual business starter as a kid with all the paperboy routes and hiring other paperboys under me and that kind of thing. So, but it was always entrepreneurial stuff. When I loved music in my, I guess like teenage years; I wanted to go to concerts. So I made up a magazine, and I would like to create a music magazine that had very poor distribution, but I would use it to get press passes at a concert so I could get into the concert for free and I could, you know, be in the front line and take photos.

And so I always had that kind of like trying to find ways to hack the system without breaking the rules.

[DAVE] Wow. That's pretty cool. So what was the best concert you were able to get in?

[CHRIS] Oh man. So I, I actually was never much for, I was like really into the straight edge, hardcore punk rock, crazy, like all stuff that was in church basements.

And so, like, I remember, I think I got into maybe the warp tour one year with a press badge or something, maybe, you know, back in the late nineties, nothing notable with that hack.

[DAVE] That's right up. Andrew's LA can see that

[ANDREW] We're getting. Ideas of events sevenfold back in my childhood. I know they were at work

[CHRIS] Yeah. The funniest thing is I; everyone always asks me like, oh, you know, this artist, I'm like, all of my musical passions stopped at like when I went to high school, or maybe even before college, he has a high school.

So all, I still listened to all these albums that are like, you know, 20 years old, 20-year-old punk rock albums. And like, I know them all by heart, and then I don't have any clue what's going on in the music world today.

[ANDREW] Yeah, I'm right there with you.

[DAVE] Yeah. That's so funny. You know, I don't know if you guys feel like this, but there are times where I go to a Walmart or someplace like that.

And I feel so old because I hear, you know, the music on the music of, I don't know, what did I hear the other day, a Bon Jovi song or something like that on the music. And I thought, oh my God, am I that old? Now that the music that was popular when I was in college is now playing on Muzak in Walmart.

That's just wrong. Yeah. I'm the only one that feels like that. I see. Okay. All right. I am moving on. Okay. So when you were a kid, then, so what did you want to be when you grew up?

[CHRIS] Like I had any idea. In fact, when I was in college, my senior year, I went home for Thanksgiving. And, you know, I went to a state school in Colorado, you know, didn't have a particularly strong kind of career placement program, at least in the college of business as an undergrad.

And I went home over Thanksgiving, and all of my friends had jobs lined up for their next year. You know, they were working at investment banks, management, consulting firms, different things like. And I asked him; I was like, we don't graduate. It's November; it's Thanksgiving. We don't graduate till May. Why do you have a job?

And they're like; this is when you get a job. And I was like; I didn't even know at the time, you know, nine months, eight months before graduation, I didn't even know I was supposed to get a job yet. So I not only didn't know what I wanted to do. I didn't even know I needed to do something professionally yet.

I was like, ah; I can figure that out later. And so I started my career. Like-kind of in a frantic hurry, have I missed the boat? And I just asked her, I said, what are the best jobs you can get after you graduate? Everyone said the most prestigious job is an investment banker or management consultant. And I was like, great.

So I went back to school, I went into the Dean's office, and I said, you know, his name was a JSA. I need you to get me a job as an investment banker or a management consultant. I didn't even know why. And he made a couple of introductions, and I managed to get one job as a management consultant, but because I'd missed the recruiting window, it didn't start until March.

And I graduated in May, and I managed to get an internship at a ma at an investment banking firm. It was not a full-time job but, but they said, if you were great, you could stay on. And that started right after graduating. And so I thought, okay, well, I guess I have ten months to figure out what happened. So I just accepted both jobs and said, if I don't like the one I, in 10 months, I can quit.

If I do, I'll tell the company it didn't work out, and I won't join them. So I took to about nine months in, I realized investment banking wasn't for me; they asked me to stay on past the internship. So I was kind of full-time. And so then I took the management consulting job after that. So, you know, you could see even a hint of optimizing in that path.

That job only lasted about another year before I got laid off in the oh eight recession. So, you know, I still didn't know what I wanted to do then. And, and you could maybe make a case that I don't know what I'll be doing in five years now.

[DAVE] Yeah. I think he'd probably have a plan. All right. So let's talk about, we get the jobs with the investment bank and the management.

So how do we transition from those kinds of more corporate-y kind of gigs to becoming entrepreneurial? What was the first business? You started, I guess, official business if you will.

[CHRIS] Yeah. So I'll tell you when it's not quite official, but it makes for the whole story to come together. So I was living in New York City at the time, and I had heard of this event called startup.

And I had kind of followed all the cool stuff going on on the internet in the early two-thousands. And I was really into that culture, but I never really knew that it could also be a professional thing. And then I went to this event, and I drove up to Boston and a Friday night slept in the offices cause I didn't have, you know, I wasn't in New York, and we built a company over a weekend.

They were probably 40 people there. We split. You know, eight or ten teams. And we built this app called desk happy, and it was a windows app that would pop up throughout the day and remind you to stretch or do an exercise for a couple of minutes. And, you know, kind of like how an apple watch now is like, Hey, you should breathe.

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We were kind of doing that on windows and. I was like, this is the coolest thing. Ever. People do this for a living. Like you could just build software and get users online. And this is a job. I was like, I have to do this. And then everyone's like, yeah, this is all they do in San Francisco. So I went back to New York.

I told my girlfriend, then who's now my wife. And I said we got to go to San Francisco. And the next Monday, I went into my job, and I told the company, I said, you guys have an office in San Francisco. Can you transfer me? And they said, yeah, They transferred me out to San Francisco. We moved into an apartment on November 1st because I remember it was Halloween.

And then, about a week later, I got laid off. And so I was like, well, I guess I, my goal was to move to San Francisco to work in Silicon Valley. And I knew I'd have to quit one day. I just, I didn't expect for that to be, you know, a couple of weeks afterward.

[DAVE] Wow. That's quite the story. So how do we segue from there to the next, I guess opportunity?

[CHRIS] Yeah, so I started a conference called laid off camp cause I was like, well, it's November 2008. No, one's going to hire anyone before the end of the year with the holidays coming up. So I put on this conference where the idea was just to bring together people who'd been laid off, people who are looking for freelance work, looking to start companies.

And it kind of just was the right place at the right time. And. Having a huge event in San Francisco, it got picked up by all the national media wall street journal, NPR, CNN, and we ended up doing 20 events around the country. All of this was totally open source. We had a Wiki; I uploaded my sponsorship emails.

I uploaded everything, and people were creating events all around the country. And I got to know a bunch of sponsors. I got to know a lot of people, and that was when I really started to meet them. People in Silicon Valley, starting companies. And those relationships ultimately led me to join the first kind of official startup job in a business development role, which if you would ask me what I wanted to do, I didn't even know what that meant.

Uh, I think even when I, that job wasn't even quite sure what it meant. I like so it's sales without the commissions, uh, but it was basically, you know, startup and help figure out how they can work with companies to make money for products that aren't, you know, as, as set in stone, as you would need a sales team for, and.

You know that was kind of off to the races. And I think ever since then, I've either been on the startup side of the table or the investor side of the table, kind of bouncing back and forth.

[DAVE] So which side do you like better?

[CHRIS] Gosh, it's tough. You know, Andy Rachleff is the CEO of Wealthfront, and he was also the founder of, uh, our co-founder of a venture capital firm called benchmark, which, you know, might arguably be the best returning, you know, venture capital firm of all time.

And, you know, I always thought, wow, if I could be a successful founder, I'd be better. And he challenged me. He said you know what? I think you might be a more empathetic investor because you know what everyone's going through, but the skill sets might not actually have any overlap. And, you know, honestly, I think they both tackle two sides of the brain, two sides of the work-life balance kind of spectrum.

I could see myself bouncing between the two again and again. And so I don't know if I can pick one right now. I think right now I'm really enjoying building products. The ability to look at an industry that you're passionate about. And for me, personal finance and investing are that and try to see what we can build that will make people's lives better.

That will help people save more effectively, which will increase their wealth. Like that's just a really fun journey on the investing side, you get to be a part of like 20 journeys, but only, you know, only dip your toes in each of them. And I'm the founder, and I'm. Yeah, right now, I'm just an employee on the employee side.

Uh, you really get to go all in and be, you know, fully submerged and project right now. I'm really enjoying that.

[DAVE] That's cool, Andrew questions.

[ANDREW] Yeah. So can you give us some examples of some of the optimizations that you were talking about when it comes to personal finance or investing?

[CHRIS] Yeah. So when I think about investing in personal finance, there's the kind of tried and true stuff, which is like, look, you got to spend less than you make.

Otherwise, you can't save. And if you can't save, you don't have dollars to invest. You know, I'm not necessarily a wild, crazy investor. I'm pretty kind of a little bit plain vanilla with most of my money. I'm pretty long on global stock markets and investing in low-cost diverse ETFs and index funds. And you know, I've been doing that at Wealthfront for a while when it comes to hacks and optimizations.

You know, I'm a big fan of all the different types of tax optimizations, backdoor Roth, you know, definitely you need to borrow. There are some optimizations that are probably a little too crazy. You know, if you're, if interest rates are low and you want to invest money, you can invest with. That you've borrowed If you have enough capital to do that and write off the interest

[ANDREW] as investment interest expense, or these based lending.?

[CHRIS] Exactly. I think the market today, it's kind of interesting because of the limitations you can put on yourself, right? If you have a portfolio of, let's call it, a hundred thousand dollars, it's unlikely that if it's in a globally diverse portfolio of the market, it's going to drop 90%, right.

That would have to be like—absolutely unprecedented global economic collapse. And so, you know, the idea of needing to keep all of your cash on the sidelines for an emergency, if you have access to low cost, borrowing is kind of an interesting position to be in. Do I keep cash for emergencies? Absolutely.

I'm totally a fan of an emergency fund, but I think the low-interest-rate environment has. Kind of those short to medium term goals as things that if they're not massive and the most important thing in the world, you know, being able to take a little bit more risk in the markets right now is something that I think I'm comfortable with knowing that there's ways to access your money and a lot more consumer-friendly platforms.

Are they used to be like, you could only borrow against your investments if you had millions of dollars, and now platforms like Wealthfront allow you to do it. A lot of brokerage firms allow you to do it at relatively low-interest rates. You know, one to 3%. I'm a big fan of HSA is FSA. For dependent care for healthcare.

Like any of these programs where someone is offering to waive your tax bills, I'm all in, you know, in every way. So if you're in a world where a high deductible health plan makes sense, maxing out your HSA, getting tax-free on the way in tax-free on the way out. Tax-free growth. I, gosh, I, you know, I wish everyone.

I knew about HSS and used them as well as they could. And, you know, I plan on spending the money on my HSA.

[ANDREW] Yeah. Maybe we can touch on that because you're right. I think it's something not really talked about much. It's kind of siloed into that bucket that is employee benefits and HR, you know, it's not really something that we kind of fuck it into the idea of long-term investing in diversification.

Like in the case of me, I know if you're. Even if you don't have an employer, if you're like an entrepreneur or, you know, sole proprietor, essentially, you can still open your own HSA, um, and, and take the tax benefits there. So maybe can you like give us an example of some of the basics of, of what that is, and either direct people to you know, look, if your employer offers that or look into something like that of having that account for yourself.

[CHRIS] Yeah. If you have an HSA, whether you've had it in the past or now, and by the way, you're only eligible for an HSA. Suppose you're on a high deductible health plan. So if you're on a PPO or an HMO, you might not be eligible, but if you are on a high deductible health plan, oftentimes your employer will say, Hey, if you want to automatically contribute, use our HSA that we have prearranged agreed.

And if your employer will deposit money into that account, by all means, that's like the best thing ever, right. Free money. Cause it's like a 401k match. It's like, you should definitely take advantage of the free money. The crazy thing is that you don't need your employer to have an HSA set up for you to use one.

You can just open one. There are a couple of startups lively as one of them. Starship is another one that kind of offers lower-cost HSA options with more flexibility. I know I used to have one with a company called I think it was; I'm going to mess up the name. I don't want to throw a company under the bus with the wrong name, but whoever was doing my HSA back in the day, it was like a $12 fee after I left my employer.

And, you know, I only had a thousand, 2000 bucks in there. So every month, I was watching $12 go down, and I transferred it over to lively personally. And not only does it not have a monthly fee, but it is just directly tied into TD Ameritrade. So I can go invest in my HSA. Like I would invest my brokerage account or my IRA, and I can pick what I want that in.

So do I want index funds? Do I want it in, you know, whatever. For me, that money is a pretty long-term horizon because I'm not going to pay taxes on any of the gains or use any of the money. And unfortunately, I wish this were true, but I expect that I will have a lot of medical bills when I get older.

And so I can't imagine being in a situation where. You know, older and have an HSA with a lot of money in it that I won't be able to find a need for paying some medical expenses in my old age. So I'm a big fan. If you have the cash flow of actually keeping that HSA for a long time, a real cool hack that I've learned is I don't think there's a length of time in which you can redeem.

You can be kind of expensive. So, if you want to keep all of your expenses, you don't have to take an expense from 2021 and, you know, kind of turn it into your HSA and reimburse yourself in 2021. So you could collect and keep all your medical expenses your whole life. And if you get to a point where you're like, Healthcare and America's fixed.

Everything's free. I don't need to have all this money, man. I just say you could reimburse yourself for expenses that you had years or even decades ago.

[ANDREW] So keep all your receipts then.

[CHRIS] Yeah, I mean, it's not fun. I like to just take pictures of them and put them in a Dropbox folder and hope I never need to look at it, but you know, making sure I leave every option open for those tax-free benefits.

[ANDREW] I do know another small startup that offers an HSA they're called Fidelity.

[DAVE] Yeah, they have them. Uh, when I worked at Wells Fargo, they had them at the time. They may not work anymore. The one that we had with Wells didn't match, but they would open the account for us. And they didn't. If you worked for the company, there were no fees. Put the money in the HSA, but the investment options were like six, and they're all Wells Fargo ETFs.

That was the extent of it. And I think eventually they did what you branch out and buy Wells Fargo stock. But yeah, that was about the extent of it. So it wasn't a, there weren't lots of choices. Like, you know, the options that you guys are talking about.

[CHRIS] Yep. But unlike a company, 401k, where you almost always have to keep the money in the 401k, your company has, until you leave, you have more flexibility with your HSA.

And some employers, I was talking with somebody at Starship, which I haven't used. They were saying you can set up your direct. Through your employee's payroll to go straight into an HSA for another company, and then they can kind of tag it accordingly. But look, if you don't have a high deductible health plan, FSAs are out there also, and you can do them for healthcare, or you can do them for dependent care.

So if you're a parent, you have childcare, you know, tax-free money right there and, and. I don't know about it and don't do it. So I'm a big fan of running through all of your HR benefits at your employer. Or if you're self-employed looking at which of those benefits you can do on your own, you know, you can open up a Sapphire as a self-employed person and often contribute times a lot more to your retirement than you can. As an employed person,

[ANDREW] Yeah, we have the HSA; that's a health savings account. That's something that most, everybody should be able to open. Where the broker like Fidelity or elsewhere or with your employer and you can keep it with you. And there are all sorts of benefits to that. Something I don't think we've talked about on the show.

However many episodes we've done 200 plus, we've never talked about the backdoor Roth. That's a really cool trick. Yeah. For people who make a higher income. So basically, the backstory is you can deposit into a Roth IRA, and there's a deposit limit, you know, $6,000 a year as of right now. So we were always trying to tell people who us, our show, you know, you're just starting out.

Make sure you get at least a Roth IRA. The problem is once you start to make too much money, then you don't qualify for the Roth IRA, but there is a way. Today that you can still do that with the backdoor Roth. So can you explain that for people who might be in that situation?

[CHRIS] Yeah, and I think it's interesting because those limits aren't location-dependent.

So if you're living in a major city, you might not feel like you make a lot of money, but you might still not be eligible for a Roth IRA. So the way it works and the big caveat I'll give out there is if you already have money in a traditional IRA, you want to go do your homework and do some extra reading.

Cause there are some tax issues, but if you've never opened up an IRA of any. And you realize that you know you're in a situation where you're not eligible for a Roth IRA. You can actually make a what's called a non-deductible contribution to a traditional IRA, which means you don't get any tax benefits, which on its own wouldn't really make sense.

Why would you put money into an account with restrictions, with no benefits? And the reason is that you can take the money in your traditional IRA. You can roll it over to a Roth IRA. Why the IRS has kind of given the okay that you can do this, but you can't just directly contribute. I have no idea.

It seems like a disservice to people who don't have access to all the information. And that's unfortunate. So I'm glad we can share it here. Maybe one day we could just make no income or kind of caps on Roth IRAs so that people can do it just easily. But yeah, if you are able to open up a traditional IRA, you can contribute to it, and that it's a non-deductible contribution, and then you can roll it into a Roth IRA.

And then the great thing about a Roth IRA is you've already paid taxes on that. As long as it grows into your retirement age, you don't have to pay taxes on any of the gains when you take it out. There's also the flexibility of you can take out the contributions you've made to it without penalties and fees, but obviously, you have to pay the penalty or a fee on the gains if you have them, but there's a little bit more flexibility on how you can access your money than you would get, even in a 401k.

So, you know, I typically tell people that if you, if you're young and you, you know, liquidity is a thing you might need to pay a bill, a medical expense, if you don't have access to cash, it can be scary to tie it all up in a retirement account. And a Roth IRA gives you a little bit more flexibility in that way than even your 401k, your company.

But if your company matches the 401k or it's hard for anything to be a better deal than free money.

Yeah, yeah, yeah.

[ANDREW] A hundred percent. Yeah.

[DAVE] A hundred percent return.

[ANDREW] Yeah. Another thing that's great about the Roth as you can. Take it out and use it if you're a first-time homebuyer and do not have all the penalties along with that too.

Are you familiar with the whole Peter teal thing with his IRA? I heard. So maybe we should have started with that because that gets people excited about like, oh wow, this is what's possible with.

[CHRIS] So the crazy thing is most 401ks are only let you invest in the funds in the four one. But you can invest your Roth IRA in anything.

And you might not know that if you just have a Roth IRA at Fidelity, but you know, you can, there are certain brokerage firms they're called self-directed IRA. And you can actually write checks so you could take your Roth IRA and you could invest in your friend's business. You could invest in real estate.

It can't be your house. I think I think it has to be an investment. It can't be primary real estate. So there are companies out there. One of them I know of is called Alto IRA. I'm not going to endorse that company. I know they had a security incident, and I haven't done enough due diligence to endorse them.

But as an example of what's possible, You know, they have partnerships with companies like Coinbase and fund rise to make it possible for you to invest your IRA and much more risky assets than maybe just a traditional index fund. And so Peter teal, you know, long-time Silicon valley investor, I believe used his IRA to invest in.

I think it was PayPal back in the day and now has hundreds of millions or even billions of dollars in his IRA. He was able to make the kind of most extreme, risky investments in their IRA.

[ANDREW] I think somebody said it was around $20 billion.

[CHRIS] Yeah. Yeah. Which is probably more than almost all other IRAs combined.

Um, my, my general advice here, though, kind of applies to, you know, we're in this new world of investing where there are a lot more options available to the average. Know, it used to be here's your brokerage firm. You can invest in stocks. You can invest in index funds and mutual funds. And now, there are so many platforms to invest in farmland.

There was a startup once pitched that where you can invest in people. It's like I'm going to buy, you know, a 10% income stream from your future income by giving you some money now to pay off your student loans or whatever the purpose was. So with all of these options to invest. You know, I do think that retirement accounts that are going to have the lowest or no taxes might be a good place for a riskier investment.

I also think that you shouldn't be making those risky investments until you feel like the rest of your capital is kind of putting you in a good place or keeping it to a very small percentage. So my rule of thumb is like 5% max, 10% for kind of these risky things that are outside of yours. You have plenty of money where you're totally covered for anything you want, and you want to increase that percent great, but you know, I'm not there yet.

So I try to keep, uh, anything I'm dabbling in, you know, that's outside of my long-term kind of passive strategy, you know, kept a really small amount. And, you know, I kind of, I know that it's higher risk, and I'm comfortable taking a big loss with that small amount of. So, yeah. You know, I wouldn't say if all you have to, your name is the $6,000; you just put it in your Roth IRA.

I would strongly discourage anyone from treating that like something you can go gamble with.

[DAVE] Yeah. I think we would all agree with that. So I'm curious about this investing in people. So you're saying that I could have invested in LeBron James when he was in high school for, you know, for Andrew Kobe Bryant when he was in high school and could have taken advantage of that. Oh my Godness.

[CHRIS] Yeah, I think the company was called upstart. I can't remember exactly how, how the product worked or what it did, or whether they're even still doing it. But there was a platform where you could; I think it started out as investing in people and evolved to being lending. It was like, it is better to lend than invest, but yeah, there were some interesting.

Stuff. I've seen as an investor that, you know, lots of crazy stuff happens. And so it's not; it wouldn't surprise me if those things happen, right. There are agents in Hollywood who find, you know, celebrities and say, look, we want to represent you. And we're going to take a, you know, 20% of all the business we bring you.

The idea of democratizing that agency model is something interesting. I've always thought it could happen in recruiting like engineers in Silicon valley seem like some of the best of them are as in demand, as you know, actors in Hollywood. Yeah. There's just no infrastructure. They're negotiating their next odd job offer.

In some cases, just kind of like casually on their own and without the kind of data that they could have. And so, I've always thought that someone will start a company that's like talent representation. Top tiers, you know, employee talent. And look, if, if someone wants to get you 20% more salary and take 10% of your salary for it, that'd probably be a net good deal.

Even though it's kind of unheard of and strange, [ANDREW] I'm going to push back on you on that you've ever paid child support. You're going to be very against the idea of having somebody else with a claim near earnings. Trust me on that.

[DAVE] Yeah, there is, I suppose there is that, but I mean, it does make sense when you think about the importance of, you know, how much technology is, is pushing forward, everything in the world and the people that work for, you know, just you pick any company, whether it's Google or Palentier, you would think that some of those top, the top talent that worked for some of those companies have got to have some serious leverage to push their salaries to wherever they need to be.

And yeah, it is kind of interesting. Baseball, for example, is my favorite sport; there are agents for every single player, or it doesn't matter if you're a Clayton Kershaw or if you're a guy that literally only played three games, you know, in the major leagues this year. And you know, they have agents. So curious why it's; it is an interesting idea for sure.

[CHRIS] Yeah, and the information anyone listening. Think about the last time you negotiated for a job; how confident were you about what your market value was? And, you know, every time I try to take a new job or even hire someone, I'm trying to make sure that I have all the data and I can tell you as an employer, we had access to data that, you know, through some of our investors where I'd be able to look up and say, amongst a thousand companies that are similar size in a similar industry, when they hire a, you know, a level two product designer and they pay in the 50th percentile in the bay area, this is exactly how much they.

And so, for me, I think I was probably more of a force for good in the way we did our compensation. I just told everyone, look, we pay 50th percentile salaries, and we give away 75th percentile equity in the. And we don't negotiate. So if you think that this is low for the market, then you're welcome to give me some other data, and maybe I'll recalibrate what 50th percent Ireland, 75% ILR.

And I'll give it to everyone at the company, right? If, if I'm off because my data's wrong, then we should update everyone's salary. And the only time we ever actually gave in on a negotiation that employee lasted, uh, Yeah. So I felt good about my compensation system when I ran a company.

[DAVE] So that's pretty good, but I was in the restaurant business.

I had a dishwasher that worked for me, amazing employees, super hard work. I mean, one of those people that you just, you wanted to have on your team, and he wanted a raise, and I went to, it was a small town. So I went to just about every restaurant, comparable size, as far as like volume to find out, I just asked the managers, I called them up and said, Hey, what are you paying your dishwasher?

And so then I found out what a range was and I went to my boss and said, Hey, this is what the dishwashers are being paid. I think this guy is worth this, you know, can we do that? And he's like, yeah, let's do it. So I went back and told him, and then so, but it worked to my advantage too, because I got him a higher raise.

I got, um, you know, much better pay. It got him to stick around longer because, you know, dishwashers, it's kind of a thankless job for sure. So when he wanted another raise, I was able to go back to him. You are the highest-paid dishwasher in the city bar, none. And he was like, really? And I made him feel good. And so. Able to be, to get away with not giving me a raise for six more months

[CHRIS] so that you are your own employee's agent. It was a great model. If everyone could have that, that'd be wonderful.

[DAVE] Yeah. So I know that's unusual, but you know, I was looking out for him cause I know I've done that job. So I knew how things really were, For sure.

All right. I want to explore some of the ideas you were talking about with investing in talking about the kind of maybe on the safe side versus doing some of the things that are maybe not so safe and maybe kind of the mindset.

[CHRIS] Yeah. So, you know, we haven't lived in a world where everyone had access to all the types of investing.

And I talked to our CEO wealth friend was why'd you start the company. And he was like, well, you know, I was very fortunate to start a venture capital firm that was successful. And we raised a lot of our money from endowments, and I talked to endowments, and these are big universities that have big pools of capital, and there were some of the best investors in the world.

And, you know, he asked what, how are you managing your money and why can't regular people do it. And so that was kind of his inspiration for starting Wealthfront was how do you make it possible for everyone to actually invest in the same way? The best. And that's just continued to go. That democratization has continued to happen, and things like real estate, things like wine art, you know, I'm sure you know, just about any asset that there is a large investor pool for.

I bet you can invest in it. I know you can buy fractional playing cards and fractional comic books, and I'm sure you can buy watches and all kinds of. And it's used to be, well, the only way to buy a piece of art is to buy the art and the best artists super expensive. So, you know, if you want to buy things that you're competent in, it doesn't work well.

Now they've created ways to fractionalize that and put it online and, and by no endorsement or by no means, is this an endorsement of fractional art purchasing? It's been a world now where there are just so many options of how to invest. And we've seen a wild growth in the world of digital cryptocurrencies in the last few years.

And the ability to invest in them is kind of open to everyone. And, you know, it's probably, I would say, a little unregulated and that there are just so many things who knows what they are. All of us have a story of a friend of ours. Who's probably. So much money, the friends of ours that lost all their money probably didn't tell us the stories.

So keep in mind, every time your friend made a lot of money, you know, you probably have another friend that lost a lot of money that I've just really had to start thinking about both in my role at Wealthfront and personally, how do you start to tell. Into account all of these options into your portfolio.

Because the last thing I want to do is be a day trader. Like, I don't think I have the knowledge or the skills in any particular type of investment to beat a wall street firm. That's got 40 people thinking about this, and that's kind of been my mantra. And so, you know, most of my money is in the broader. So a smaller part of my money and companies that I'm just really passionate about it.

And I believe in, and then I put a little bit here and there and some risky things and try to treat them. In new ways, like hands-off long-term investments and, and probably don't do all of the kind of fun, exciting day stuff. So if I buy a cryptocurrency, it's not because I think it might jump 20% tomorrow.

It's because I've spent a little bit of time thinking about it and decided it's going to be a very small piece of my investment portfolio. You know, one of the things not everyone will do. So at Wealthfront, I think we said, well, you can't put more than 10% in crypto in your, in your investment portfolio because, you know, it's just so exciting that some people want to do more.

And we. Not when that customer then puts them in an uncomfortable position for their future. You know, it comes back to keeping an eye on the level of risk you want to take and what you're comfortable with. And I think for most people, these risky assets are still in the five or 10% range at the most. I wouldn't even start thinking about them until you've got a good solid foundation for wealth building.

It's going to probably be a lot lower risk than some of these things, that don't get me wrong. There is a lot more fun, right?

[DAVE] Yeah.

[CHRIS] I remember a Burton Malkiel. The founder of the index funds said, oh, he doesn't have anything against stock investing. And he just thinks it's kind of like going to the horse tracks.

And so you go to Vegas, you don't plan to get the money back. You hope you do, but you're going in there knowing that it's really risky and you're probably going to lose your money. And I think investing is airy when things look like investing. I feel like gambling because it's sometimes hard to tell the difference.

And so, I think that's why I've been a big fan of broader index investing for the main part of my portfolio because I don't have to trust myself to make those choices.

[ANDREW] So can you put yourself in the shoes of somebody who's, like you said, it's a crazy time, and there's so many options, endless options.

You can invest in some of the investing in something. So how does somebody who maybe this is their first time ever listen to an episode about investing? How do you. Differentiate between investments that are safe and low risk and something that's completely risky. And what would be the next steps into doing that?

I know you mentioned you have your own financial plan, so how can somebody go in that step of figuring out while one person's telling me I should do crypto another, a person's telling me I should do, uh, Pokemon cards, you know, like who do you know? How can you tell who you should listen to? And what gives that sort of credibility to say, yeah, actually this is low risk, and this is why.

[CHRIS] Yeah. I mean, this is one of the hardest things, and I'd love to say, oh, we'll just talk to a financial advisor. But you know, the term financial advisor is not really actually a regulated term, and it's, it's possible that that person could be an insurance salesman or a mutual fund broker. And so, I think this is one of the hardest situations for a new inmate.

And honestly, it's probably why investing is as daunting for new people as it is. And that's for good reason because there isn't a definitive will; obviously, this is the right answer there. You'd probably search Amazon for investing books. I guarantee you; there are plenty, same thing with resources on the internet.

The thing I always come back to is trying to just start understanding what the market, you know, is chart reading, like things like Investopedia things where you're not reading something. That's being written by someone that's selling something. I think that's a good place. And this is counter to that advice.

There's some content that we put out at Wealthfront; it's totally free. You don't have to sign up for a product. We put a lot of time into that. Any firm that is what's called a registered investment advisor, you know, has to take on a fiduciary obligation, so if you are looking for human advice where you actually want to work with.

There's this great question where you just say, Hey, are you a fiduciary? And you get one of two answers; you either get yes. Or you get an explanation for something that's not a yes. Like I really care about you. I really want to do what's right for you. I think the markets are a great way for you to invest, but if you didn't hear it, yes, you should be concerned.

And then I would say there's something called modern portfolio theory. There are so many books that you could read about it, but the general. Don't actually try to pick what's best; try to pick what the entire, you know, the entire market and, and build a portfolio that if one asset is not doing well, the other one is hopefully less correlated and might be doing well and you can kind of build a resilient portfolio.

So the short answer would be, you know, invest in all the things. The challenge is there are things that you can now invest in that have very little data or history as to whether they're even good investments. I think maybe this is the most boring answer. I like to invest in the things that we have data on that show they're good investments, which means I'm going to miss out on the Pokemon cards and the fractional baseball cards.

And I've come to terms with; I would rather know that I'm on track. For saving money too, you know, provide for my family and be able to retire and all of that then have a chance at buying a Ferrari in a year, but also have a chance that I have to work till I'm a hundred. So for me, I don't think there's like a Google form where you can just type in like Pokemon cards, and it's like a good investment band.

Uh, I wish that if you guys know a resource that someone can go to, you know, you help people in this situation a lot, definitely chime in. Cause I don't know a great place to go to learn what is and isn't a good investment,

[DAVE] That's a question, isn't it?

[ANDREW] Yeah. I mean, that's obviously what we try to provide, and that's why we bring on people with diverse backgrounds like yourself onto the show because we want people to get exposure to a lot of the different ideas.

And I think you really hit the nail on the head when you said. You know, I want to invest in things that have the data behind them. You mentioned the broad stock market. We're talking about hundreds of years of companies in the stock market, and you know, lots of data it's been proven, and it's because he's businesses that create cash flows.

Right. And so they are productive. That's a big reason why I'm good to have you on and hear your opinion on how people and try to sift through the messy. And there's a lot of exciting things and we'll, uh, to bring those up to at the end of the day, though, it is good to know that, you know, there's people out there like me, Dave, yourself, Chris, and you guys over at welfare, I'm trying to help.

And hopefully, you know, giving enough little nuggets down the line so people can take it all in overtime and build that foundation. Because I think for me looking back, I mean, it's been so many years I've been immersed in this. It's kind of easy to get lost in what's that viewpoint of somebody just starting out.

I think my personal opinion, 2021 has been the craziest year I've ever seen for literally millions of investment choices, where even with. Before the pandemic, you didn't even have that many. So it's definitely overwhelming, but listen to people like Chris and people like Dave, and then they'll point you in that right direction.

[CHRIS] Yeah, I just thought of a rule of thumb, which I know I've heard from a few friends is, look, something is speculation. Suppose it doesn't have cash flow. And so, you know, if you look at businesses, you invest in a business or a bond, and those things payout in certain amounts, businesses make money, they have cash flows, they pay their investors in the form of dividends or their stock growth.

But if you buy a Bitcoin or if you buy a piece of art, that piece of art is only worth, or that Bitcoin is only worth however much someone else says it is. And there's kind of no, you know, the logical calculation for what that should be other than looking at what other people say, other similar things. And so I know I did an interview with Andy Rachleff on all the hacks about investing, and his opinion is speculative investments don't have a place in my long-term investment portfolio and. Many people will tell you something to the contrary, but if you're looking for a rule of thumb, you know, his rule of thumb is I invest in things that have a cash flow. And right now, that's bonds, and that's buying shares of companies, and everything else is speculation.

And I don't think of that as an investment. Maybe I decide I want to put 5% of my money into speculation. And that's okay. But when I think of investing, I think about cash flows, and you know, a lot of these new things aren't cash flows. And so, I'm not saying that that's going to lead to the best returns. I would never make a comment on returns.

I'm just saying. I personally feel a lot more comfortable investing in a strategy like that. And I think that's how I kind of what I do with the majority of my kind of longterm

[ANDREW] A hundred percent with you there.

[DAVE] That's very well said. Yeah, it is very well said. And that's exactly what Andrew and I have been trying to teach people over the years with the podcast.

And I keep coming back to this idea that. The media and everything hypes everything up so much that people look past the fact that if you look at the history of investors and who was considered the best investors of all time, there's not a single market timer on there. Note there's none. And that's really kind of what you're going to when you're talking about these companies or these investments that don't have cash flows, that they aren't businesses, they don't produce anything.

Those are the things that people—bidding up. And it's only like you said, it's only as valuable as what somebody else says. It is where you can get 20 people together. You can argue about how much PayPal is worth, and you'll come up with probably some consensus, but if you get 20 people together and argue about what Bitcoin is, You're not going to come to any sort of consensus, not at all.

And I think that kind of goes to what you're talking about and, uh, you know, something that I think is interesting that I don't think is talked about a lot, is this idea of having a fixed. A portfolio that you invest in, whether it's using ETFs or index funds or anything like that, or doing like Andrew. And I talk about buying individual companies.

Those are all great ways to invest, but there's nothing wrong with kind of scratching that itch of having, you know, a small percentage of your portfolio to gamble with or speculate as you put it. And I think if you do those kinds of things, it helps you stay away from putting all of your money in.

Whatever the weight is fed is every other day, you can pick a different one. And I think if you stay away from those things, but by scratching that itch, I think it helps people stay away from that. I mean, what do you guys think of that mindset of doing those little things to help kind of alleviate that? You know, I'm diabetic.

So perfect example is I can't have candy in the house. If I have chocolate in the house, I won't eat it, but by forcing myself not to have those Reese's peanut butter cups in the house, I can't eat them. And so it doesn't allow me to scratch that itch, but if I have it in here, I want to scratch that. It shouldn't be a worse way.

I kind of feel like investing in some of these crazy things is kind of like that. What do you guys think?

[CHRIS] Yeah, I mean, I think that's really well said. I like to have that thrill and that excitement, but I don't need to have it with all my money. And I think one of the greatest things about all these kinds of this onslaught of new ways to invest is.

You could do them in much smaller dollar amounts back in, you know, there weren't that many options for investing in alternative things. If you had, you know, you could maybe write a check in a startup for $10,000, but now you can buy cryptocurrency with $50, $5. You know, there might be fees higher than anything smaller than that.

But I think that's one, the only other interesting thing that I've noticed in the last year, That I thought was really interesting was I've talked to a few investors. Who's seen a lot of market cycles. One argument I made to someone for investing in crypto with a small amount of money was that it's moving so fast that you get to feel these market corrections, these really painful market corrections faster than you do in the stock market.

So I was like, just put a hundred dollars and see what happens. And then it's like, oh, yeah, it's only $60. It might take you ten years to learn that lesson in the stock market. And I think it's a really important lesson. How much can I handle being down this much? I think I've learned that lesson with a small investment in Bitcoin, like four times in the last five years.

So I think the two opportunities you have. Kind of experimenting outside of your kind of core investment plan is one scratching the itch because the last thing you want to do is scratch the itch with your whole portfolio and put your family or your future kind of financial situation at risk. But I also think that you can learn about yourself, find out how you felt, because the riskier, the investment you make with that money, the higher the likelihood that you're going to lose that money, the higher the likelihood you're going to find out what it feels like to lose money.

Uh, you know, we've all lost money in various forms, right? Whether you drop a $20 bill, but when you lose money, doing something that you chose to do, none of us choose to drop a $20 bill on the street. It's a different feeling. And some people take that really well, and some don't. And so if you can find out with $5 instead of finding out with 50,000, that's a lot better.

[DAVE] That's very well said. Yeah. That amen to that brother. So let's talk a little bit about your show. So tell us about all the hacks. I guess, you know, I full admission I'm as I'm a listener and I love the show. And what prompted you to start it.

[CHRIS] Yeah. So, you know, funny enough, I always tell people that my investments are kind of not that exciting.

I invest in index funds. I automated all my money automatically goes there. And what really gets me excited about personal finance is less my investing strategy because I kind of feel like that's on auto. What gets me excited in ways that I can earn more or do things that I wouldn't otherwise be able to do.

I always tell people my motto is never really want to have to cross an ocean in coach on a plane, but I also never want to pay for business class. That's like my personality in it in a catchphrase is that I want to have everyone is probably listening to this because they're like, oh, I want, I want to invest.

I want to make more money. And why is life is expensive? I want to do the things that money allows, whether that's for others, for our fans. I do too. I just feel like there are so many opportunities to do it with less effort. If you optimize your life, your career, your time, I wanted to explore that. And so, the entire show is my own personal journey to try to optimize and upgrade every aspect of my life.

So, you know, we've had on people talking about travel, great travel hack that I think we've had more feedback from listeners than anything we've never talked to. He's just booked a hotel room, book it directly with the hotel, not with Travelocity, not with TripAdvisor, email, the hotel, let them know you're coming.

And you're really excited. I've had at least 25 listeners write back that they either got a bottle of wine or a bottle of champagne or an upgrade or something because hotels really want to build relationships with people, and they don't get that chance when you book on another portal, and they don't get that chance if you don't say hello.

So, you know, that's a little hack. We've had people come on to talk about. Parenting and children. And you know, there's a great hack about getting into daycare, which is, if you can't get into the daycare, you want to start with one day a week, and they always give priority to five days a week—people to people who started.

So it's like dropping your kid off once a week. And then, all of a sudden, you'll find yourself in that five days a week slot because you can usually get the one-day-a-week slot with no wait. We had a whole episode about the side hustle. You know, becoming a notary, you know, is something that right now, because of low-interest rates, there's a huge demand for refinancing.

And so, there are people making thousands of dollars a month on the side by doing notary appointments. And because most people are looking to do all this paperwork outside of work, because to buy a home in America, you usually need a job that really works well as an, from an hour standpoint, as a side hustle, because most people want to sign these documents nights, right.

And it's a pretty low-cost course. And you know, you buy like the paper and the thumbprint stamp, but then we've also talked about, you know, things that you have to think about. So we had an episode with Morgan Housel, who wrote this book, the psychology of money, and we dove into how people think about money and how the markets were kind of historical things.

We talked about the science of behavior change with someone who's a behavioral economist about habits and how people think about it, especially when it comes to money. So it's not just, you know, a trick or a tip about something, though. There are a lot of those. I also want to dive into the mindsets. You need to have to be a high performer, the mindsets you need to have to manage your time better.

If anyone's listening to episode 25 was with Nir Eyal, we a book called Indistractible, which is all about how to make traction with your time and not spend it on your phone, unless that's what you want. It's less about how to not look at your phone and more about how to be intentional with your time, which, gosh, times the one resource we can't buy.

So if you want to hack your life right at the end of the day, everyone seems to be saving money so we can spend it on it. If you don't have time, you know, what's it all for? And so that was a really cool episode as well.

[DAVE] Yeah. The show was great, and I really enjoyed all those. I've listened to probably about half a year catalog so far.

And the episode with Nir, I thought, was one of my favorites. I really enjoyed the ideas that he was espousing. And the idea of time, I think, is one of those things. I think a lot of people don't really think about it. And if you kind of map out what you spend your time on, on a daily basis, you know, the iPhone screen, what does it, what do they call that?

[CHRIS] screen time

[DAVE] Yeah, the screen time, that is a blessing and a curse. If you look at that and you see how much time you spend on certain apps, it is illuminating, to say the least. So, yeah, I think when people say I don't have enough time to do this or this, and then you see that you're spending four hours a day on Facebook.

[CHRIS] Well, Yeah. And then the only thing I didn't mention is there's a big slant of, I think one of the biggest things we spend our time and our money on, at least a lot of people I know, is on travel. And so we're not just; there are some travel hacks about emailing a hotel. There's also like, how do you find the cheapest flights?

So we had Scott Kaiser, who has one of the biggest newsletters on inexpensive. And then we, you know, I'm a pretty big points nerd, right? I think I've probably racked up 10 million points. I'd probably carry, you know, have 15, 16 different credit cards. I don't recommend everyone go down this rabbit hole.

And honestly, if you're still working on paying off any credit cards, I don't recommend you go down the rabbit hole at all. You know, when you're paying for something, if you're half paying with a credit card or a debit card, the difference is with the debit card, you know, you're letting the banks keep a little bit of extra money.

And when you're paying with a credit card, you're getting the extra money. And if you really optimize the system to time the right cards with the right. And the right categories, you know, you can just travel for free. And, you know, I think travel is one of the most eye-opening amazing life experiences.

So for me, I think the biggest hack when it comes to saving and investing is actually finding ways to reduce my cost of living so that I can save more money and invest more money without cutting back the experience. So, you know, for me, travel, hacking money, hacking life, hacking timeout, it's all in service of not cutting back on life.

And so I think sometimes if anyone listening is familiar with the financial independence movement, I think one of the challenges is it can often be so much about deprivation. Like, let's not spend any money so we can save the most amount. I don't disagree with that premise, right? The less you spend, the more you save, but I challenge it to say, you know, I'm on a journey to find every hack there is to try to make sure that there's no deprivation, like no sacrifice in quality of life, but still save a lot of money.

[DAVE] Yeah, that's awesome. So, Andrew, I'm monopolizing the conversation again. Is there anything you would like to ask?

[ANDREW] No, I think that pretty much wraps up. So do you want to just wrap us out.

[DAVE] Sure. All right. So that is, I think, gonna wrap us up. That was a great way to end. So Chris, can you tell people where they could find more about you and what you got going on?

[CHRIS] Yeah, so the podcast is All the Hacks. If you're listening to this as a podcast, you can just search for it, click, subscribe, and check it out. You know, I'm all over the internet. I'm usually at Chris Hutchens sometimes @Hutchins on Twitter. I can't get them all. And then, yeah, if you're interested in what we're working on at Wealthfront, it's Wealthfront.com

[DAVE] Okay. Awesome. Well, you know, again, thank you very much for coming and taking the time to talk to us today. We really appreciate it. And I know that I learned a lot, and I'm sure our listeners got a lot of great stuff out of our conversation today. So again, thank you for joining us today, and we really appreciate it.

[CHRIS] Yeah, thanks for having me.

[DAVE] You're welcome. All right. All right, folks. We'll work with that; we'll go ahead and wrap up our conversation. I wanted to thank Chris again for coming to talk to us today. We really appreciate you taking the time out of his day to spend some time with you and with us. And without that, without any further ado, I'll go ahead and sign this off.

You guys. Go out there and invest with a margin of safety emphasis on safety. Have a great week. We'll talk to you all next week. ?