IFB205: US/CAD Capital Gains, I Bonds, Reversion to the Mean

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[00:00:00] **Dave:** All right, folks. Welcome to investing for beginners podcast. Tonight, we have episode 205. Tonight, we are going to go back to the well and answer a great list of questions we got recently. So I'm going to go ahead and read the first question.

So I have hi, Andrew and Dave before anything just like to thank both of you for the wonderful. Podcasts, which you created. I am Canadian in my early sixties, have my DB pension, my own RRSP, which max out every year of my TFA TFS account, which is also maxed out awful. Also have a trading account, which buying stocks with my cash money and sometimes borrowed money from a line of credit.

And, of course, try to pay it off as fast as I can. The question I have is, am I better? Paying the line of credit, which using for investment is saves them money by concern. If the government is getting 50% of my capital gains, what is the best way to get better returns on my investment? Thanks, Mars. Andrew, what is your thought on MarsExcellent question?

[00:00:58] **Andrew:** Essentially, you see, because there are differences in taxes, whether you're in the US or you're in Canada, there are also differences in taxes between how you're investing. So he mentioned that. Is it TSFA or TFSC, I don't really know which one. And RRSP is basically like tax advantage accounts in Canada.

You can think of a similar thing, like a Roth IRA or traditional 401k in the United States. These are things I will defer taxes basically give you some sort of tax advantage. And so what Mars is talking about with this question is he's already maxed out those kinds of tax advantage accounts. We're a lot of times, we do talk about like that, but let's talk about it as if you had maxed those out and you're just looking to invest your extra money.

And so what you're going to do about these capital gains taxes. So Canada is interesting because of what they'll do. In contrast to the United States, you have a short-term capital gains tax, a long-term capital gains tax short-term means you held the stock for one year or less, and then you sold it long-term means you held it for at least one year.

So, in that case, in the US, if you're making short-term capital gains, you have to pay what your income bracket is for that capital gain. If I'm in a 30% tax bracket, I'm paying 30% on that in the US for a long-term capital gains tax. That also depends on your income, but the most you'll pay as of right now, 2021, the most you'll pay is 20%.

It goes to 15%, and if you're in a certain range and if you're like zero to 40 K, you don't have to pay any capital gains tax. So that's cool for you. For Canada, they don't make a strict difference between long or short term. They just take. 50% of your capital gains, and then they tax that at your income.

So what that means is if we invested a hundred dollars, we sold it for $110. That's a $10 gain. They're going to split half of that. So it's a $5 that you're taxed on. And then you're taxed on your Tax bracket on those $5. So again, if you're in like a 30% tax bracket, you get 30% tax on the five, which if you think about the overall tax for that would be about 15% because you've got the extra five that you could save and not get taxed on.

So which one is better or not, I guess, depends on your specific situation. I find it interesting that there's no difference in Canada between the long and short term. And I don't have information on what the actual tax brackets are, but my guess is they probably get taxed a little bit more than the US just based on how the US has been lately with taxes compared to other countries.

Do you have thoughts on that?

[00:03:43] **Dave:** I think one of the things that I have thoughts on is the line of credit. Is that something you wanted to touch on?

[00:03:49] **Andrew:** Yeah, real quick when we finish up on capital gains. So in the US, a great way to defer capital gains is to do the long-term instead of the short term.

So you get that better bracket for most people. That said, whether you are in Canada or the United States, or Europe, as it stands now, as long as you don't sell, you don't have to pay the capital gains. So there's some crazy talk. Potentially changing that, which I don't even know what that would do to the markets, you only get taxed when you sell.

So that's why Warren, Buffet's such a huge advocate of you buy stocks for long-term and you let them compound because if you were the like trade in and out of the same, Every single time you trade and have a profit, you'd have to pay tax on it. And then you do that again and again, but if you just buy one company and you hold it for five years, ten years, 20 years, you're not paying taxes until the very end.

And so all those times you didn't pay taxes or just times that the value of the companies continue to compound. And that makes a huge difference. You could look at the math was huge, so if you're worried about. It's not quite them getting 50% of your gains. It's much less when you do the math, but if you're worried about that, by far the best anecdote, anecdote, antidote.

That's a word. There you go. There you go. The best thing that though would be the whole for the long term.

[00:05:08] **Dave:** Absolutely. And I agree with your idea, the best way to avoid having to pay any of those additional taxes is to hold the company that you're buying for at least a year. And generally, if you're a long-term investor, then this is the way that you can help reduce some of the costs that will help eat into your returns as well.

Because taxes, as we've mentioned in the past, is something a lot of people don't talk about, but it's a very real cost, and it needs to be accounted for. And a lot of people don't account for it when they're thinking about their returns or how that's going to affect their returns. Sure.

And that's why depending on your income level and where you really are in your investment plan, or your retirement plan is sitting down with a tax advisor or some sort of consultant that works with taxes and talks through what's the best way to set up your retirement accounts, your brokerage accounts, and any other accounts that you have to help lessen the impact that taxes will have because the sad fact of the matter is it's a reality that we all have to face.

Pay taxes. It sucks. Nobody likes it, but it's part of the game, and it's something we all have to do. And so anyway that you can lessen that burden legally, of course, is the best way to go about doing it. And to my knowledge is really the best way to do that is to hold for the long term. Now, there are other ideas out there that I'll be honest with you about.

I'm not super sure hip too. I just don't know a lot about them tax harvesting and tax loss, harvesting, and some of those kinds of strategies there. Those are things out there, but that's not something I don't buy and sell enough to have to deal with that. And I'm also not a high-income earner, so it's not something I have to consider as well.

[00:06:57] **Andrew:** Yeah. It's much easier to just focus on a lot of the things that you can control. Cause that's the thing with taxes. They change all the time. They do people wonder why I don't buy internationally. And I just stick to the U S. Well, a lot of times if you sell and you get tired. In the US, a lot of times, another country would want to tax you as well, whether we're talking about dividends, capital gains, and if they don't know, they so possibly could later.

And the difference between getting taxes a second time. Even like a 20% tax, my 10% returns just went to 8%, and then you want to do that for every single investment you buy. How much, how hard is it to get, 12% of 10% a year? It's not easy. No, it's not easy. It's quite a thing. And so you're already going to start a game; two steps behind doesn't make sense.

That's why I like to try and keep it simple. And so buying long-term and buying domestically works really great for me.

[00:07:53] **Dave:** Yep. Then I agree with that. I want to touch on one little thing. So Andrew mentioned the conversation about capital gains and some of the dialogue that's been going on in Congress about that.

And I'm not going to make a comment either way about the politics, but the schematics of it is the idea that they're looking at possibly, taxing people on their investments, regardless of whether you sold it or not. So the idea of a long-term or short-term capital gain would go out the window, and they would just tax you.

So if you have an investment, whether you've held it for one day or whether you've held her for 15 years, they would tax the unrealized profit that you would have. So let's say you buy a company like Apple, for example, and you buy it at. $80 a share, and it goes up to $120 a share of that $40.

That is an unrealized gain. In other words, you haven't actually the difference between realized and unrealized is when you sell that stock to somebody else and you take that $40. That's a realized gain. And right now, that's the only taxes you would pay on that investment.

However, the Congress, one of the things that they've been looking at is possibly taxing you on the $40 that you haven't realized yet. So you'd be taxed on money that you haven't actually gotten from your investment. And that's what's been causing all the uproar. And like Andrew said, there would be, there would probably be huge ramifications for that at the some of these people that have, Warren buffet, for example, has held some of these companies for, up to 30 to 50 years and that the gains that he's made on some of those investments.

Massive. And he's not trying to avoid taxes. He's he pays taxes based on the way the laws are written. And nobody can argue about that. But, if Congress does change their mind and decide to tax on unrealized gains, they're looking at, he's looking at quite a bit of money that you have to pay out and based on what he's decided to do with his earnings. He, he's going to give 98% of it to charities.

So in his circumstance, that would be a detriment to the people that would possibly be receiving those charities, that charitable benefit. So w again, without going on a tangent on politics, that's something that is, it is—being discussed.

I don't think it's gained a lot of traction, but it is definitely being discussed. So it's something to be aware of. Who knows if it'll ever come to fruition, if it does, you bet your butt will be talking about it. So

[00:10:27] **Andrew:** well said, I'm going to. I guess there is this part of the question about the line of credit, similar to a question we answered a few weeks ago, but did you want.

You had some thoughts on that as well?

[00:10:37] **Dave:** Yeah. I wanted to touch on that for a second. So a line of credit, for those of you who are not familiar with what that is, in essence, what it is, it's a credit card without the actual plastic. So it's a line of credit that a bank or financial institution gives you to allow you to go out and buy things with.

Credit that they've given you. In most cases, you transfer the money from your credit account to your checking account, and then you go out and buy whatever it is you want. And then you pay back the money to the line of credit that you can reuse, just like a credit card; the advantages of credit generally they're lower than credit cards.

Simply for the fact they don't have a line of credit is not something they just give to every Tom Dick and Harry; it's usually given to people that have really good credit scores, good income, good history with a bank. And so these are perks or benefits that the banks will extend to some of their better customers Wells Fargo recently, however, announced that they are doing away with our lines of credit.

And so that kind of caused a big uproar with people that are with the bank and not exactly sure how that's all going to play out, but yeah. Aside from that, the idea still remains the same. I am very hesitant to suggest anybody use credit, to go out and borrow, to invest in anything simply for the fact that two things.

One, you have to make sure that investment. It earns more interest than you have to pay on the money you've borrowed. So if you borrow a thousand dollars to go out and invest in something and your interest rate is 10%, you got to make at least 10% or better to break even on a deal. And if you don't, you're basically throwing money away.

If you're earning. 2%, if you're paying 2% on your line of credit and you can earn something that makes more than it. Okay. Maybe, but the flip side of that is anything you invest in a stock market has to risk to it. And there's always the risk that the company could go south, that something could happen to the company over a period of time.

And. The money that you could be making from that investment, you may have been using to turn around and pay the line of credit back. And now all of a sudden that income stream stops, then you know, then what you do now, you gotta pay for that out of your pocket. And if you're not in a position to do that, It puts you in a far more precarious position to invest doing it that way.

And so I, I personally would never do it, and I would never recommend anybody do that. I did have a few customers ask me about those kinds of ideas when I was at the bank, and I was very against it. Just because it can make it, there are so many ways that it could go sideways that could outweigh the benefits of doing it.

Sure, you could hit a big with a company and really strike it rich with that. But. There are so many downsides to it that it's just not something I would recommend.

[00:13:27] **Andrew:** So is it similar to a credit card in that? If I took out 6,000 on the line of credit, let's say I took out the whole thing.

So I'm gonna have to make monthly payments. Eventually, pay that six grand back plus whatever the interest rate is. That's correct. Yeah. And there's going to be minimums, and the more I take out, the higher the minimums go.

[00:13:44] **Dave:** Yep. Exactly. It is. They call it a revolving line of credit. So the credit cards and lines of credit, home equity lines of credit, are all considered revolving lines of credit.

Whereas if you get a car loan, a mortgage, a personal loan, those are all fixed. Credit items because it's a fixed amount. You borrow $10,000, you pay it back, plus your interest, and it's done the deal's over, but the line of credit card, those are revolving because as you pay it back, you have it accessible to use again.

[00:14:11] **Andrew:** I think the biggest thing, whenever you're talking about leverage and especially something like a line of credit, the smartest guys in the world who had figured out all the risks and all the math and all the models. They were, their name as there is a fund called long-term capital management and they had all the best.

They had thought of every risk thing, except for the one risk they didn't think of. And so they were leveraged, although for the other one or something, then yeah, the whole thing blew up. And so that's the problem with leverage. There's always going to be one thing that you didn't account for that could blow it up and make you lose everything that you work so hard to build by being smart and pinching, pinching pennies or following numbers around.

[00:14:53] **Dave:** Try to pick up the penny in front of the steamroller. Sometimes it's just not; it's not worth it. And I think we're a lot of those guys, rocket scientists, like literally, I think they were rocket scientists, all, they were all like PhDs and, brilliant guys names. Yeah. And completely blew up. Yep. So I think the bottom line is Andrew, and I would not recommend anybody use the leverage of any sort to invest.

[00:15:16] **Andrew:** Exactly. All right. So I'm going to. Read the next question here. Thanks for the great question, Mars, by the way. So this one comes from Twitter, basically, do I bond treasuries compound interest daily, monthly, or yearly on investment over the length of the US bond. Do any government bonds do that?

[00:15:38] **Dave:** Okay, so this is an interesting question. So, bonds are part of the treasury bonds that the US treasury offers. These are long-term bonds. There are 30-year bonds, and you can buy them. They are not traded per se like treasury bonds are. So they are they're in essence, a savings bond.

So what you do is you buy them at treasury.gov. And they pay interest over the life of the bond. And basically, the way they work is they pay the interest semi-annually. So that means every six months at the beginning of ever every month, they calculate what the interest rate is going to be. And they. Inflation they adjust for inflation.

So that's what makes it different than treasury bonds. For example, is that I bonds adjust for inflation. And so that's, that could be one of the benefits for using them, especially when inflation is going up because then you get that additional benefit when inflation is stagnant or going down, then there may be not as beneficial the bonds.

The kind of, the way it works is you have a five-year window that if you liquidate the bond within five years, you're going to pay the penalty, which is the penalty would be the last three months of any interest you would have earned on the bond. So you would get the full amount that you invested in a bond plus any interest that you've earned over that period of time.

Now, another cool thing about it is when they calculate their interest, every six months, they. Add the interest and the inflation adjustment to the value of the bond. And then, the next six months, it calculates interest based on that new amount. So normally, there it's a fixed rate, and it just pays. It pays on top of the interest every six months, this one.

So let's say just for easy numbers, let's say you buy a bond for a hundred dollars. After the end of 10 months, the interest is calculated, and I'll say it's $15. So now the bond is going to pay. Is the $15 gets added to the hundred. So now the 115 is going to earn interest over the next six months. And then that gets added to the $115.

And then the next six-month period, it'll be compounded upon that and compounded on that. So it's a little different than normal bonds. That's a cool feature of them. They are long-term bonds, like I said, so they're 30-year bonds. They're really designed to be held for a long period of time.

They're not short-term trading in and out kind of bond. The flip side of that is treasury bills, and treasury bonds all pay interest in six months. Period. There are treasury bills, which are shorter-term bills. I believe there is a year or less. And you have treasury bills that are shorter-term bills that.

Pay interest every six months; generally, the shorter can goes as short as seven days. And they can go up to a year. Then you have treasury notes that that generally rent that range between a year and ten years. And then you have 30-year bonds, and now they have a 20-year bond, which they just started recently.

So those, again, they all pay interest every six months. So to my knowledge, there are no. Notes bills or bonds that pay interest daily or monthly; it's all semi-annually. So every six months is when they pay that. And the savings bonds differ in that you pay the interest. So would you buy a hundred dollars bond it's marked at par, which what they do is they calculate what the interest would be for however long the savings bond is that you bottle, let's say it's a ten-year.

They calculate the interest on the savings bond, and then they reduce that from the hundred dollars. So let's say it knocks it down to 53 bucks, for example, then after ten years, Grow to 53, 50 $3 would grow to a hundred dollars. And then you earn interest on top of that as well. So that's how they calculate that.

And the reason why I say that is because sometimes people will come and redeem a hundred dollar bond at the bank and like a w bond. And they'll be like, why is it only $79 saves? This says it's a hundred because you, it hasn't matured yet. So until it matures, it's going to be less than the face value of the bond.

[00:20:01] **Andrew:** There's a lot of talk about these bonds, but there are such low-interest rates. And when I think of, like, why would anybody buy a 30-year bond that pays like less than a percent, it's really a different use case. And it's not like your everyday. There Carrie and Sally, who are buying these things, whether it's like large institutions which have different needs, or even if you're a bank, and you're able to pay.

Fraction of a percent to keep some of these checking deposits. Then it makes sense for you to buy a super long-term bond that pays a percent because you're getting the spread on that. Exactly. Most people, the I bond might be able to different. Cause if you're, I guess if you're in retirement or, you just have an ultra-conservative outlook, maybe it makes sense for you.

But, these rates are pitifully low.

[00:20:51] **Dave:** Yes, they are. And the majority of the bond market is in institutional investors, and treasury bills, bonds, and notes, all trade on the markets. They are investments. So you can buy and sell them. Whereas something like an I bond or a EE savings bond, those do not, those are considered savings bonds, and those are bought and sold at par.

Whereas treasury bills, notes, and bonds are traded on markets. And so you can try to. Benefit from fluctuations in the price and yield of those things. But, w one of the things that a lot of people don't realize is Warren Buffett actually holds a ton of treasury notes in his portfolio because of the nature of the business of how they operate.

They have a lot of cash because they work with insurance, and people pay insurance. And those premiums don't get paid out every single day. So they got to find something to do with that. So some of it they use to invest, but some of it, a lot of it, they put in short term treasury bills or notes to try to earn a little bit interest because frankly, that interest, even as pitiful as it is, is a thousand times better than you would get at Wells Fargo, for example.

Yeah. For him, there's a benefit to it, but he's dealing in such large numbers. We're talking, tens of billions of dollars. Whereas you and I are talking a thousand bucks, so it's, it's not apples to apple.

[00:22:11] **Andrew:** Yeah. If you're wondering what CFOs do, they can spend all day stuff like that.

Even a company like Microsoft, they've got so much cash. When you look at their law, their short-term investments, all that stuff's like treasury notes and all that too. Yeah.

[00:22:24] **Dave:** Yeah, absolutely. I think I remember that the treasury market, as well as just the bond market in general, dwarfs the stock market by, I dunno, three times or something; it's just massively huge.

And it's just not talked about a lot because it's not really, it's not really. It's not really designed and meant for average retail investors like us to play in, but there's certainly a place for it. If you're a portfolio and your financial situation calls for it.

[00:22:52] **Andrew:** Yeah. I don't know. That is a bad thing for the average retail investor.

I don't see it as like some scam that we don't have access to these things, but that's really when you start to talk about hundreds of billions or trillions of dollars; it really is a different world. And to your point, sometimes capital preservation at that amount is a different ball game than trying to turn to go our average.

[00:23:12] **Dave:** Yeah, absolutely. Yep. Absolutely. All right. So let's move on to the final question. So we have dear Andrew, it is clear to me that you are a defensive investor where it is more important to preserve capital, which follows with Buffett's teaching. This is why you're not so keen on growth stocks with your value trap indicator; growth stocks are inherently riskier.

What you say makes sense, buy value and let time allow for reversion to the mean to achieve fair value. The longer the timeframe, the more likely this is to happen. Prices vary around fair value—a quote from Benjamin Graham in the short run. A market is a voting machine, but in the long run, it is a weighing machine.

Would you agree to regards, Neil? Andrew, what are your thoughts on Neil's question?

[00:23:59] **Andrew:** I think it's a good opportunity to talk about what reversion to the mean is; I think we've touched on it before in previous episodes, but basically this idea that the markets very emotional, it's very irrational.

And at times, it can get really expensive or really cheap and not only the entire market but also individual stocks and individual companies. And so what tends to happen because it's emotional because not only is there emotional, which makes it sound stupid, but it also has a lot of momentum for people who are just short-term trading. Morgan Housel is a great book.

Have you read the psychology of money? Absolutely.

It was one of my Christmas presents. Fantastic book, really? My, my little

girl. No, and that's adorable. Yeah. Another great book she had; I don't even know if she had any idea how Sage that was.

[00:24:48] **Dave:** No, that's pretty, Sage.

[00:24:51] **Andrew:** So in that book, he mentions how in the market, you really have two camps.

You have the people who are buying stocks because they're looking at it as a long-term investment. And then you have people who are very short-term; they're even sometimes. A timeframe is as little as a day or a couple of hours. And so they're not even looking at how much this company is worth over ten years because they're going to hold it for 10 minutes.

And so you really have two different camps in the market that are huge. They make up huge amounts of the market. Whether we're talking about hedge funds, whether we're talking about fund managers, whether you're talking about retail people, it's huge ETFs even. So what happens is you have these two different camps and because you have a bunch of short-term trailers that are moving the prices. That's why it gets emotional because any little dip and then if the short-term trailers catch onto that day, They'll bid it down so low, or they'll bid it up so high. And so that's where you get the emotions of the market.

And so that's where you get reversion to the mean because eventually that trend will play out, and all of the short-term traders that we're in on one way, they're all going to leave. And so what's that going to do? It's going to bounce back up almost like a teeter-totter that loses all of its weight.

And so that's why you have reversion to the mean. As somebody who's long-term, you got to think, what is my competitive advantage as an average investor? If you look at all the different parts of wall street and all the different players, they're all playing a different game. So you as an individual investor, your one advantage is you don't have to play that game.

You don't have to play their game. You can play a long-term game where you say; I'm gonna, I'm gonna look for companies. I think it can grow for five years or ten years. And you can just hold for five years or ten years, and you don't have people checking up on you to say, Hey, how's your performance been lately, buddy?

You don't have to answer to anybody but yourself. And so you can combine those things with a reversion to the mean concept where you realize the emotions will eventually run out. And this thing will trade where it should. And you can most definitely do that, and that's where the magic or the market can happen, that you combine those two things.

Now, I really believe that there are two different kinds of reversions to the mean you have that short-term type thing, and then you have more of a longer-term thing. I think the longer-term thing might be a little bit more difficult, and it could be because it's not as obvious. And Neil all talks here how the longer the timeframe, the more likely this is to happen. Sometimes then sometimes it's not sometimes the Mar the market smarter than you, sometimes they're smarter than the market. Sometimes these things will go where you think they were supposed to go. But just because you hold something for ten years doesn't guarantee it's going to go where you think that reversion point is.

So I'd be careful about relying only on reversion to the mean, especially if you're going to be someone who's super long-term. In my mind, it's really, it's really more about paying a fair price for something than it is for pain, like a super big bargain, unless you want to play those big rebounds, as the tetter-totter, as we talked about, but for me, I'm looking at what can be my competitive edge and for me, it can, I could hold 5, 10, 20 years.

And that's something that most of Wall Street probably isn't willing to do. And so for me, I just, I got to make sure that over that time period, I'm not running into a Cisco in 2000 or Microsoft in 2000 where their stock was so expensive that it was flat even 15 years later, you want to stay away from those.

But at the same time, B. Okay. Pain, a little bit of a premium for something, even though it's not in your reversion to the mean, because you understand that your competitive advantages over the long term.

[00:28:39] **Dave:** Yeah. The long term is really where it's at, and when you look at the returns that most of the great investors have gotten, it's because they've held companies for a long period of time.

It doesn't mean you have to hold it from now until the time you retire or the time that you pass away. But, holding it for longer than six months is really where you're going to start to gain any advantage, especially if the company or the investment that you've bought into is one of the better companies in that sector or segment.

And, when you think about reversion to the bean, you, Andrew, did a great job of explaining how to think about those things and everything. I guess I'd want to throw on there is thinking about when you're thinking about a longer-term investment in a company that will do great over a long period of time.

The idea that every single company that you invest in is going to continue to grow for 20 years is it just the history and the math show that's not likely to happen? And there's going to be, there's going to be falling off of certain companies, and really it comes down to more about the operations and the business and what it does than really the math of it.

So think about a couple of good examples would be to think about something like Blackberry or Kodak. So those companies, up until they weren't, were some of the leaders in their fields. Blackberry was its phone for a long period of time until Apple created their iPod, which morphed into the iPhone. And then Blackberry became irrelevant. Kodak along the same lines with the creation of digital photography.

They didn't keep up with the trends, and then they became irrelevant. And so even though the company was a great company up until it wasn't, and it was a quick turnaround, it wasn't something that, just ha it happened over decades. It happened fairly quickly. And so that reversion to the mean, if you will, was pretty sudden, and really that comes down to more about the knowledge of the sector, knowledge of the industry, knowledge of how the company interacts within there.

The playing field, plus just the general life cycle of how a business operates. So really quickly, every company goes through a cycle of life, if you will, just like we do, just like everything on earth does. And they start out young, and they're super aggressive and super exciting.

And everything goes up to the right, revenues, growth; everything is all about this. Then at some point, it starts to mature, and that's not necessarily a bad thing. It just, it becomes a more steady operating company that continues to grow. But the nature of the growth is far less than it was in the early stages of the company.

Then it starts to become maybe—the other side of the maturity. So somebody who's 54 and on the older side, I'm on the more mature side. I still have things I could do. The growth is gone. And so now it's about maintaining what you have, and then eventually it's going to start to become in the declining phase.

And you can look at there are a billion different examples out there, but every company goes through that life cycle, and there are exceptions, Amazon. Yeah. It continues to defy, and as large as it is, it's still is growing 20, 30% a year. It's just insane, but that's an anomaly.

Every, most other companies out there don't or will not continue to grow at that rate. And so they will reverse start to revert to the mean at some point. And but those are all things that you learn as you study the business and you study the industry that they're in, and you become a lot more familiar with that.

And aside from the number, part of it, just understanding the business, understanding of the sector. It understands the threats to the sector and what could come in and disrupt that company. I've been spending a lot of time lately looking at FinTech because I feel like some of these companies that are coming out now, like Stripe, square, PayPal, and the list goes on and on, I think are going to start to disrupt a little bit of how.

We handle our money and how we make payments, and how banks operate. And it could be good or bad for banks. I, I don't know, I still to be determined, but my working theory at the moment is that this is going to disrupt how we handle our money, at the very least. And so understanding that and understanding banks and understanding FinTech, I think it can help me.

Pick and choose different investments. But I also understand that a company like square or PayPal is at the early stage of its growth cycle, and the growth will be continuing for a while. But at some point, it's going to start to mature. It's just, it just will, and it'll start to even out and eventually go into the rest of it.

So those are all things you have to consider when you're thinking about investing in any company for the long term.

[00:33:41] **Andrew:** That's a fantastic way to put them in perspective because to your point, exactly. I think a lot of growth stocks, if not most, get so expensive that it's almost as if they expect this explosive growth, this young phase, to last forever.

There are some growth companies out there that will be priced more like they're going to grow at the moment. State, but a lot of the growth companies are priced like they're going to explode forever. And the fact of the matter is; eventually, they're going to have to submit to nature's laws, and that's why those stocks get killed.

And it happens very quickly. Like you said because you get not only the fundamentalists who realized they were wrong with the short-term trends, who are like, oh, we're out of here. This trend just went the other way.

[00:34:27] **Dave:** Yup. Yup, exactly. Yup.

[00:34:29] **Andrew:** Anyway, I guess that's going to wrap us up for today. Thanks, everybody, for writing in those questions, and Neil, Mars, the guy on Twitter, speaking of Twitter, we just launched one for this podcast so that one's at IFB podcast. Insightful tweets, for the most part, that come out of that account.

I liked the poll that was submitted there. What was it? Something about dividends, right? It's a, yeah. What was the poll about dividends?

[00:34:57] **Dave:** Oh gosh, I can't remember now. I'm sorry. I think it's.

[00:35:02] **Andrew:** Do you like dividends or something?

[00:35:05] **Dave:** Do you like them? Not like them or ambivalent.

Yeah. And a hundred percent of the votes said yeah, I was like that's my people.

[00:35:12] **Andrew:** And then there was another one I thought it was funny, and it was a traditional IRA or Roth IRA, and Roth IRA got all of the votes. And I was like, wow. Okay. I people are on their level in those regards.

[00:35:26] **Dave:** Yup. Yup. For sure. So it's been a lot of fun, and we just started recently, but it'll be a mixture of some beginner stuff.

We'll talk about different aspects of investing as well as financial literacy. And then we'll also occasionally we'll post different things that we're writing on the blog, as well as we'll post the new updates to the podcast when episodes drop. So check it out. And it's another great way for you guys to get in touch with us.

So if you have any questions or want to interact with us, that's another great way to interact with us, and we're here to help you. So this is another avenue for you to reach out. All right. So with that, we'll go ahead and wrap it up. So again, thank you, everybody, for writing those fantastic questions.

Keep them coming. This is great. And without any further ado, I'm going to go ahead and sign us 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.