IFB207: Using a ReFi to Invest, Mutual Fund Questions, and Covid Impacts on Certain Industries

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[00:00:00] **Dave:** Welcome to Investing for Beginners podcast. Tonight, we have episode 207. We are going to answer some great listener questions we got recently. So without any further ado, I will go ahead and read the first question, and we'll go ahead and do our usual give and take.

So this great question is from Kristin. She says, hi there. I came across your show of the AirWave as I listened to another show on that network. And I'm so glad I found it. I have a tricky question and would appreciate any insight. I have owned my home in Los Angeles for five-ish years, and the value has jumped.

I owe about 470,000 on the mortgage, and it's worth about 950,000 with mortgage interest rates so low. My current rate is 2.8%. What are your thoughts about doing a cash-out refinance and investing the cash into stocks? Thanks in advance for any guidance, Kristin. Andrew, what are your thoughts on Christine's question?

[00:00:49] **Andrew:** Should we define a cashout refinance first?

[00:00:53] **Dave:** Sure. Why don't you tell them what it is?

[00:00:55] **Andrew:** Maybe you should go since your the banker guy.

[00:00:58] **Dave:** Okay. I'll do my best. I have never worked with the cashout refile, but I believe the way that they work is when you sell your home or when you do a refinance, you take out the difference from what the home is worth versus what you owe, and then you owe additional money on top of that.

So, in other words, in her circumstance, she would be able to get around $480,000 out of her home because that's the difference between what she owes and what the value of the home is currently, which means that she would take out another. Another mortgage in the essence of four, 480,000 at 2.8%. So her question is that, would you take that refinance and reinvest it into the stock market? So what do you, what would you do

[00:01:49] **Andrew:** the problem is, that was the logic a lot during the mid-two thousand. And it's especially piqued up during 2006, 2007. The idea was that houses and home prices always go up. And they completely totally did until the time that they did it. And so if you are somebody who did something like a cashout refinance, you now owed more money, and if you didn't have that money, On deck, basically to, to pay back.

Now you have higher payments and nothing to show for it. For example, if you would've taken that 400,000, put it in the stock market at the same time that the stock market crashes. So there's the value of your home. You still got these higher, the payments to pay from having a refinance.

And if you wanted to sell out your stocks, you could be; you'd be selling at a loss. I just. For me, being so risk-averse and knowing is such a recent memory of what could go wrong when you take money out of a mortgage and use it to put it into the stock market. I'm very against something like that.

[00:02:57] **Dave:** I would probably agree with that. I think, so a couple of things to think about. Suppose you're looking at doing something like that. So, first of all, you already know what your hurdle rate is, right? You're going to have to earn at least a better than 2.8%, whatever you would be on the mortgage.

So let's say it comes back at three and a half percent because maybe rates go up when you do this, or maybe they go down a little bit, and you get a better rate. At the minimum, you're going to have to earn at least that to make your money back there. The other thing you get, I guess there are two of the things that kind of pop into my head.

Number one is at the 470,000 that you still, or in a mortgage, depends on your payment. Let's say it's a thousand dollars a month just throwing out a number. Let's say it's a thousand dollars a month. Then you take on this. In essence, new mortgage, your payment will not stay at a thousand dollars a month.

It's probably going to go up, and you have to weigh whether that will still work with your budget. So that's something to consider. The other thing to consider is that now let's say that you do the refinance. You take all the money out, and you're sitting on $480,000, and you with a whole burning a hole in your pocket, you've got to do something with it.

Putting $480,000 into the stock market right away for me is a scary proposition because if you lump sum all that into the stock market right now, you are going to have to find 10 to a hundred great ideas, and that's going to be hard to do. And Andrew and I struggled to do that once a month.

So let alone try to do that, 200, 100, or 10 times or 20 times that's. Tall order. So then you have to consider, let's say you dollar cost average over a year, and you're going to put in what would that be? $40,000 a month, which is, it's a lot, it's a big chunk of change to, of course, but it also depends on how you want to split that up.

You still have to come up with more ideas. So if you come up with one idea a month and you put in $40,000 a month, okay, fine. And that's all fine and dandy, but when you're trying to work with all that it's a lot to manage, but then you also have, the other point of fact is that if you put $40,000 in one month and you still have 440,000 more to put in over the next 11 months, you got to put that money somewhere.

So if you put it in a savings account and it's earning, you could probably get your interest rate up to maybe 1% with that kind of money. If you're lucky, maybe 2%. Less than what you're making than what you're paying on your interest for your loan at your current loan rate. And so I that I would think that there would be.

Options available. And this is something we talked about with the 401k a few weeks ago. What about the idea of, let's say that your mortgage is a thousand dollars a month and you want to refinance your mortgage to go up to $1,500 a month and steak instead of taking on the. And you are then sitting on all that money and trying to figure out what you want to invest in.

Why didn't you take the $500 if you can afford it, or maybe more and throw that into the market every month and buy something with that every month and use that as a way to build your wealth. Because the other thing you want to consider is the opportunity cost of the loss of not having, option w God forbid, something goes wrong, and you lose your job, or, you need that money for something else.

And now you've put it all on the stock market. Now you have to do other things to take all that money out, and it costs you money to do all those things. So there are other considerations to think about. And I would think for me; I would want to look at. Not taking on more debt to put money into the stock market because there are so many things that can go wrong and the stock market, and I'm not trying to be captain negative here, but I just, I'm trying to think about the positive than the negatives.

And you have to think about it; it'd be exciting to have half a million dollars to be able to put it into the stock market. That's a big chunk of change, and that could do some things, but if you choose. Or if you buy at the wrong time over the next year, then you could set yourself up for a big hurt.

And it also depends on what kinds of things you buy. If you're buying, middle of the road, companies safe, stable, boring air quote, boring companies like a Walmart or Target, or something along those lines, you're going to do fine. But if you start throwing money at some of these super exciting, shiny objects, And the stock market that everybody's talking about today, but a year and a half from now are, the dogs of the Dow kind of thing.

Then it could set you up for a lot of hurts. For me, You got to remember; I'm a little older, I'm also more conservative. So I would rather wait, look at other options that can still get me into the market, and put good money in a market. Five hundred to a thousand bucks a month is nothing to sneeze at, and over a very short amount of time, that could build up quickly and can add up to some serious returns.

Plus, it allows you to continue doing that over the life of how long, however long you want to. Whereas, if you do the cash-out refi, now you're stuck in that house too for another 10 or 15 years before you can pay it off, depending on what your mortgage is and what your payments are.

We don't have all the information here for Kristen, but I think some things that I think of that maybe you're a little more alternative ideas than just doing a cash-out refi in and using the money that way. What are your thoughts?

[00:08:27] **Andrew:** Yeah, I completely agree. And a lot of it comes down to this idea that you only want to put money into the market that you don't need in the next five to 10 years.

And the problem with personal finance is it's so personal. And the other problem with that is we can plan for how we think our life will be five years from now, ten years from now. That doesn't make it happen. If you look around at the people around you, how many people have gone through a divorce or had some crazy medical thing pop up, something like 70% of bankruptcies had to do with medical bills.

Yeah. Ridiculous. So what are the factors, a surprise layoff? The pandemic, right? So all these things that just can pop up out of nowhere, and that's the big risk you take when you try to do something tricky and try to speed up your getting rich process by taking on debt, it works fine, and the math works great, but life doesn't work like math does all the time.

And so when that downside, so potentially huge, and you have to face this idea of if I just hold on. While the market's going down, I'm going to do fine, but I can't hold on because I need a sell. After all, this came up. So that's why you never want to borrow to go into the market because it could force you to make decisions like this.

And at the end of the day, that's. That's the worst thing that you could do in the stock market is to take it out when everybody else is selling too. Cause maybe they're all dealing with similar types of things. So that's why you want to put money in the market that you can afford to lose and just let it sit and let it compound, then that's how you'll do it with building wealth for the stock market.

[00:10:05] **Dave:** Amen, brother. That's fantastic advice. He said that very well.

[00:10:09] **Andrew:** Thank you. We'll move on to the next question then. I'm going to read this one here. It says hi; Andrew and Dave have been listening to the podcast for over a year. Now. I love the content and the chemistry you guys have.

He loves learning about investing so much; they decided to move careers. That's cool. Enough about me, the intelligent investor in chapter 15, the commentary Jason's Zweig says as an amateur, your best bet is to put your money in mutual funds and keep no more than 10% of your portfolio in direct equities.

He says I know you guys love this book and use a lot of the principles teaches. And from what I've heard on the podcast, neither of you have capital. Activity managed mutual funds. Is there any reason you don't follow this rule of thumb, and why you don't invest in mutual funds or promote mutual funds in the podcast? Keep up the great work Rob from London.

[00:10:59] **Dave:** Hey, Rob from London. That was a great question. And thank you for referring to the chapter in our favorite book. We did turn our pages in the hymnal before we came on too. To read that quote, we did we are that kind of nerd. And so we did read his commentary.

And by the way, that one of the gems of the book is you can, yeah. All the great stuff for Ben Graham, but you also get a lot of the great stuff from Jason as well. He's one of the best finance writers out there. If you've not read any of his stuff, I highly recommend you check it out.

It's fantastic. And it's a great commentary to choose a book as well. He did in the book; he did talk about. He talked about kind of two processes. One was doing a paper trading account for a year, and then that does well for you. Then you consider, start actively investing in equities. And if you are not comfortable with acting and investing in equities, he recommended doing index funds and 10% in direct equities.

It is individual stocks and that kind of thing. And I think that's great advice. And we've talked about this before. There's nothing wrong with doing that; for some reason, there's this stereotype that you either have to be all in stocks or none, and you can mix and match, however, works best for you.

Andy Shuler, our partner, talks all the time about different ETFs that he's bought when he wants to start exposure in space. For example, before COVID, he, I think he bought jets because he wanted to get into some of the airlines and dip his toe into that. And it's a great way to do that kind of thing.

And there are so many different ETFs and index funds out there available for me personally; the reason why I've stayed away from mutual funds is without being too blunt fees. There's; they're expensive. They've actively managed funds, and they're expensive. And when I say expensive, I compare mutual funds.

It's changed slightly in response to what's going on with ETFs and index funds, but generally, they're higher fees. Two, 3%, sometimes that get taken out of your returns, and when they're actively managed. So there. Lots of activity inside the funds. And I just don't feel like the returns on those funds have been anything to write home about.

Now, of course, there are fund managers out there that do a great job, and I'm not trying to bash any of the fund managers out there, but studies have shown that index funds and ETFs earn better returns over a longer period than mutual funds have. And when you consider fees, it beats them even more.

So for me, that's why I've never really talked about them, and I've always been against them. So what are your thoughts on them?

[00:13:41] **Andrew:** Yeah, I think it's obvious that ETFs are superior to mutual funds based on fees. Even if you look at Kathy Woods ETF, it's basically what a mutual fund used to be, except now you can buy it as an ETF.

And there's just so much that the next evolution of costs structures has now moved towards ETFs. And obviously, people are going to want to go where there are fewer fees. And so that's why. I think mutual funds used to be a lot more popular when we first started, and lately, it's been more talking about ETFs index and stuff like that.

And yeah, that's kind of why I'm in that camp. I think when you look at that mix between. How comfortable do you feel between individual stocks and index funds or ETFs, whatever that looks like, goes back to that beginning of the episode where we say your comfort level, what you find to be comfortable from a risk perspective for me because I've been very involved with the stock market. With the research I'm doing on these picks, I'm very comfortable.

I am putting my whole net worth into them. And that's what I do. I recommend these stocks for the eLetter and over 95, 96, 97; whatever the number is, percent of my net worth also goes into these same picks, so that, for me, it sounds conservative. I'm comfortable with it to somebody else that might sound crazy.

So you have to figure out where you stand on that and position your portfolio that way, but also be familiar with the possibilities? And what are the positives and negatives to doing stuff like that? And hopefully, we're able to present those in our show and the various episodes we've done.

[00:15:29] **Dave:** Yeah. I think. It would help if you thought about some of those ideas; you really need to consider what you're comfortable doing if you enjoy the game of investigating companies and learning the ins and outs of the companies and how they operate and their prospects and their competitive moats and.

Titian, there is among the different companies. If all that stuff is super interesting to you and you love doing that stuff, then looking at individual stocks as something for you. But if you know that you want to invest and you don't want to spend that time or that stuff leaves you cold, then there are all kinds of great opportunities and vehicles that you can use to still take advantage of all the great things that stock market has to offer that.

Allow you to get the great returns you want, but not have to go through, not go through, but not have to do all the work that Andrew and I do; we do it because we love it. We do it because we like it. It's fun to exciting. It, it, it helps us wake up every morning. Some people, they don't like that, and that's okay.

There's, that's, there's not, all of us are built the same, and we all have different risk levels. We all have different interest levels, and there are lots of people out there. That put money in index funds or ETFs and do it religiously every month. And they retire very wealthy, and they're very happy with spending five minutes a day or five minutes every month looking at their portfolio, and that works for them.

And that's awesome. That for me, that's, I won't. And so I want to do more. I want to look at it more. I want to be more active about it, and I want to have more control and more say over it. So that's what works for me, but it comes down to what works for you. And. Andrew. And I will never sit here and tell you that this is the right way, and that's the right way, and this is the wrong way.

And that's the wrong way. We'll just give you the ideas that we think will work best for us. And if you like what we're talking about, then you'll listen to us, and you'll follow along. And, but we also will talk about other options as well. The bottom line is that it doesn't matter that you follow everything that we do with how we do it.

It comes down to learning the principles of learning, how the stock market works, and how to put your money to work for you so that you don't have to work so hard someday. And it doesn't matter how you get there. And if it's investing in individual stocks as we do, or if it's index funds or mutual funds or your 401k, then more power to you cause that's really what it comes down to.

Amen. Okay.

But that was a great question, Rob. So we appreciate you reaching out to us and letting us know about that. All right. We'll move on to the next question here.

Hey, David Andrew, first off. Thank you both for what you do. I stumbled upon your podcast with no knowledge of investing at all. Now, I feel like I can set myself up for retirement. Long-term value slash dividend investing. It just makes sense to me. I have a few questions for you guys.

This might be one more update. Allie. I recently invested in a bank; actually, one of your e-letter picks with the recent news of impending interest rate hikes. I've seen banking stocks plummet in the last few days, is the interest rate hike going to be a concerning long-term problem for banks, or would this be a good time to buy more stocks in a war?

My costs average per share. So in a word, yes, this would be a good time too. Please take a look at banks when interest rates go up; that's a good thing for banks because a large majority of the income that they make is from interest rates. So there are several ways to think about this. So the first is banks make a difference.

It's called net interest income. And basically, what it is it's a spread between what you borrow and what they have to pay people. Loan them money. So, in other words, if you pay 10% for a car loan and they pay 2% for a savings account, that 8% difference in their income. That's the money that they make.

And so when banks. Take deposits from us, whether it's in a savings account or a checking account or money market CD, any of those kinds of raw material for them to lend out to other people, to try to make money off of that money they're lending. And so the more that they can land and at the higher interest rates that they can wind or the bigger, the spread between.

Rates that they can charge people for loaning them money and the rates they have to pay to entice people to make deposits. That's how they make their income. That's the majority of it. It depends on the bank, but it's about 50, 50, maybe 60, 40 kind of depends on the bank. Banks make money on other services that they offer, like wealth management or investments, or things of that nature.

They charge fees for those things. And that's how they make money, contrary to popular belief. They don't make that money from overdraft fees. So there is that. I know that's very unpopular, obviously, but I want to make a little, maybe a little bit, not as much as people think, and trust me, I worked for Wells Fargo, and we used to charge a lot of overdraft fees I know so but yeah.

That's beside the point, but when interest rates go up, that's a good thing for banks. And the reason why the stocks have been hitting get hitting wait ways, because it's more, I think about some of the concerns with COVID recently, but interest rates would if they do go up and when they do go up, that will be a boon for banks and insurance companies for sure.

[00:21:01] **Andrew:** Couldn't you argue that the market. Dry powder, a bank that has the better higher interest rates, would be a forum. Let's say some of these loan to deposit ratio is like almost a hundred percent. So even if rates went higher, they don't have it. Not that they don't have any, but they don't have as much cash to lend out as maybe some of them, with a much more conservative balance sheet with a lot more cash that could take advantage of the higher rates and loan out and be more aggressive with that.

[00:21:28] **Dave:** Yeah. No, that's a perfect illustration. The more dry powder that the bank has, the better that will be for them in the long run. And that's why that's really why banks have struggled since 2007, 2009 is the interest rates have remained so low during the great financial crisis in oh 7 0 9, the rates went to almost zero and that just almost killed the banks now.

The opposite of that is the banks. A lot of the banks were at fault for everything happening. You can't blame, but ever since then, the rates never went up. And so because of that, it's depressed the earnings ability for a lot of banks over the last, what 10, 13 years.

That this has been going on, and that's why banks have started moving towards other forms of trying to generate revenue away from more of the traditional lending aspect of it because they just haven't been able to generate as much income from them. Some big banks like Wells Fargo, for example, have been put under an asset cap restriction.

In other words, that means that the bank can only grow so big, and they're not allowed to take on more. Bore loans to drive up their asset cap because of all the bad stuff they did a few years ago with all the fraudulent opening accounts and credit accounts and all that stuff. And it's just been they keep stepping on the, you know what just about every other week, it seems like for a few years there anyway, because.

The fed put a limit on how big the bank can get. And that also means that it puts a limit on how much money they can loan. And it puts a limit on how much money they could make. So they've been under they've been in a penalty box for a few years, and it could last for a little bit longer, but other banks like JP Morgan, for example, Yeah, absolutely killed it over the last four or five years.

And they've done a fantastic job, but they've really diversified their bank, and they've moved away from relying so much on deposits and loans to drive their revenues. And they've tried to use other aspects of the banking industry to generate revenues. Yeah, it's a great question, but I think banks, if interest rates do start to rise, would be a great place to look for opportunities.

[00:23:43] **Andrew:** I think as the way I feel personally about it, it just, depending on the valuation, I think it's in general, always a pretty good idea to buy banks over the long term, just because what's the one concept. In economy money. Yeah. So you know that the form of the bank, whether it's online or brick and mortar, could change over time.

But at the end of the day, money has to sit somewhere. It's got to be at the bank. And so long-term, this is something like something that kind of opened my eyes to this. When I looked at Buffett had that quote where he said, The companies from 30 years ago that were the top of the S and P versus the top companies today.

They're way different. Yeah. If you look at ten years ago, like before the financial crisis, there's a few kinds of unicorn companies like Google, or maybe Google wasn't on there. I think it was like Apple and Microsoft. They were the big boys back then. They're the big boys now but like the others.

Companies that are along that the only other ones that were consistent, Wells Fargo and bank of America, maybe JP Morgan. I can't remember if they were there, but it's a similar kind of concept. As these things grow and they become, they just need to stay a part of the economy. They can continue to help money flow through the economy.

And so as long as they got good balance sheets, good companies, and they had good valuations. That could be good buys a lot of the time. And not just because of. Somebody thinks interest rates are going to go up right now.

[00:25:15] **Dave:** Yeah, exactly. There, there are a few other advantages that banks offer as well.

Number one is they generally are pretty stable companies that they generally don't have many huge fluctuations in prices and stuff. A while ago, I mentioned that I had bought some Palantir, one of the AI companies out there, and my goodness, the volatility. And I think it's it's worse than a roller coaster.

And if you could stumble, they, I find, and it's, again, it's a very. A portion of my portfolio. So it's nothing to get excited about. But anyway, the point is that owning something like that bank of America or JP Morgan is generally far less volatile. So you're not going to wake up one day and see it down, 22%, the next day up to its 18%, and the next day it's down 11%.

You're just not going to see that kind of fluctuations. So there's that part of it. The other thing is that they pay dividends, generally pay pretty good dividends, and consistently pay dividends over very long periods. They also have been doing lots of share buybacks.

They didn't know during COVID, but they're starting to do those again. And so there are great opportunities with that. Honestly, many people stay away from banks simply because they are either told to or afraid of. Kind of the banking language. So when you look at financials for banks, it's not the same as looking at a financial for Walmart or apple; it's just, it's different.

And if at first, it could be confusing and a bit overwhelming, but once you start to understand the language and how the banks operate, it becomes a lot easier to assess them and decide whether they would be a good fit for you or not.

[00:26:54] **Andrew:** What's great about it is once you learn about it, once you have that circle of competence to build on, and so you don't have to learn it again.

But I agree. It is. It is not for the faint of heart. No, Nope. It's not. Nobody's going to fall to you if you pass on the banks. No,

[00:27:09] **Dave:** not at all. But one thing I do want to point out is almost 20% of the S and P 500 is financials. So if you. You just automatically ignore financials. You're automatically ignoring almost 20% of the S and P as a possible investment opportunity. So there is that to consider

[00:27:28] **Andrew:** it nothing wrong with trying to expand your circle of competence over time.

[00:27:31] **Dave:** No, but again, not trying to pressure.

[00:27:35] **Andrew:** The last part of the question here, he also says I've been having a little trouble trying to determine the impact of COVID on certain companies. For example, I was looking at a company like the national health Corps.

Sorry, national health care corporation. They are an elderly care company. My evaluations of the company looked very promising up until 2020. They were probably affected immensely by COVID. They were also given a lot of government aid that carried them through the year so that. 2020 is an outlier, and be bullish on the fact they survived it and still have little debt or be worried.

They had to rely on government aid to make it through the rough patch. Any help would be much-appreciated things again, and keep the knowledge flowing, Cody.

[00:28:20] **Dave:** That's a great question, Cody. And. I think COVID is an outlier, and it has been an outlier, and it probably continues to be an outlier.

It appears through at least maybe the rest of this year. It's something that you have to take into consideration. I know that when I've been looking at different companies over the last year or so, many of them have been recent, depending on how COVID impacts them, are either downplaying the boost.

It gave them up playing the downturn that they took and how much they're bouncing back from it. So, for example, if there was a company that got smacked by. What happened to COVID maybe they were in a position where they had to shut down their operations for some time. And things really took a hit, but then bounce back and now are humming along.

Great. Then they try to average out they'll average out their returns over the last few years. And they'll talk about their income or the revenues over two years or three years. Many people I've been noticing on earnings calls have been commenting that we are now back to 2019 levels, or we're doing better than we were in 2019.

So it's they're just ignoring what happened in 2020 because it was such an abnormal abnormality. And I think for me, that's what I've been trying to do is look at each company individually and not wash over a whole sector or a whole industry, and just take it on a case by case basis.

So if NHC is a company that you felt was doing great in 2019, COVID hit. It impacted them by what you're telling us. And it looks like they're bouncing back, then you can look and see where they work compared to 2019. And if they're bouncing back well, and the company is even doing better than they were in 2019, then obviously that was an outlier, and you just treated it as such, but it could also be a situation where I'm not saying this is the case, but it could also be a situation where.

It exposed a weakness in the business, and maybe they've bounced back, but maybe they're not bouncing back as well as they were before. And that might be something that you want to would want to investigate further before you decide whether you want to jump in with both feet and buy the company.

So those are some things that kind of popped into my mind. I'm curious to hear what Andrew has thoughts.

[00:30:47] **Andrew:** I think it's tough. In general, you don't want to like make exceptions. So as an example, if I'm looking at a company and I see the numbers, and there's some explanation why the numbers are bad, is there some explanation why we think they're going to rebound generally.

You want to stick more toward the facts than anything else. But because COVID is such, it's tough cause everyone has their own opinions on it, and they have even different opinions on how long they think it's going to last or what impacts they will have. And so that's why I like this idea of taking it on a case-by-case basis.

So to look at a company like this, you have to ask yourself a question. I think the bigger question as a long-term investor is. Is the fact that COVID happened, obviously it happened, but does it affect the demand for elderly care over the term? So is this fact that we've gone through cOVID could go through it again or, have gone through it and we're finished. But whether that, whether you see a future where we have a second wave, third wave, whatever, or you see a future where it's completely behind us has what has happened so far. Is that going to change the behavior? Or the demand for elderly care.

And then how is that going to affect a company like this? When you contrast that to maybe another example would be like an amusement park company where. They had COVID R because there was COVID before keeping people from going to the amusement parks when they're open, and so a similar question, but different because we're looking at two different cases.

They're both heavily affected by COVID, but demand in one industry could be changed permanently regardless of the COVID feature. At the same time, another demand could be unaffected at all and could only be possibly affected if we have future lockdowns.

And then you could have a third company, which had been many great companies where this whole thing hasn't affected them at all. It's boosted them. And so, any further uncertainty is only a plus to their stock. So that's why you have to look at it on a case-by-case basis. And so it is an outlier, but it's one of those weird outliers.

If it changes the fundamentals of a business, it could be something as simple as the fact that people do not want to buy this or go to this service for any reason. And it's because of what COVID has done. It could be that simple that could, I think, help you a lot in a time like this, where so much is under change.

[00:33:36] **Dave:** Yeah. I would agree with that and think about it; Andrew Graves gave some great examples of how COVID has impacted the movie theaters and how that's affected Disney, plus on the flip side of that. And both of them have been impacted by COVID but in opposite directions.

And it doesn't look like movie theaters, at least at this point; it doesn't look like they're bouncing back. And you compare that to what's going on with Disney plus, and it's just continuing to Excel on Excel and Excel. So you have to think about how that impacts the business that you're trying to analyze.

And the question that Andrew asked about is elderly care demands are going to be affected by what happened with COVID. Now and into the future. And I don't have that answer, but that's the question you have to figure out and how that could impact this company because if that's what they're basing their business on, then it's a huge impact, and it's something you have to consider.

And that's, I think the bottom line is you have to look at a case by case and asked the question of if this had the COVID fundamentally impact, how. The business operates and what they offer is that going to continue to be in demand now and into the future. And if it is, then you can move from there analyzing the company.

If it's not, you have to decide, do you want to spend a lot of time looking at something that you're not sure about? Or is this something you want to try to find some other opportunity out there? And I think that's the biggest question is. Is elderly care going to continue? The demand for that now and into the future.

And if it is, what other impacts could COVID have on that that would affect the operations of NHC because? Those are things you have to consider as well. Are they going to have to take on more staff? Are there regulatory requirements going to be much, much stringent, more stringent. Is that going to impact the profitability of the company?

The ability to get government aid to help them with this is not a negative, but if it's something that they can only survive on, that could be an issue. So those are all questions that you want to ask. And that's, I think, the biggest thing to take away from this. Is trying to think beyond just the number, part of it, and think about the impacts it's had on the business and what could impact it going forward in demand in the future, and start making questions and then trying to figure out the answers.

Cause that's the best way you're going to learn and figure out how this could affect you now and into the future.

[00:36:22] **Andrew:** I had a quote pop up into my head. I know it was either buffet or Charlie Munger. I can't remember whether it was exactly, but I'll just try the paraphrase. You don't get any extra points for difficult for difficulty or for solving difficult investment problems.

And so there's no shame and no change really to investment results, whether you pick a no-brainer business versus one that takes a million points of analysis. You can hit the same point. And so keep that in mind, too, if it's all sounds overwhelming.

[00:36:55] **Dave:** Yeah. A 10% return is a 10% return.

It doesn't matter. You don't get style points for picking the heart for analyzing the hardest business out there versus analyzing the easiest business out there, whatever that may be. Yeah, that's good. That's a great quote.

All right. Folks who will that is going to wrap up our conversation for this evening. I wanted to thank everybody for taking the time to send us those great questions again. Keep it coming. Awesome stuff. And we enjoy taking the time to answer these for you.

And we hope you guys are getting some good takeaways from all this and some good information. Follow us on Twitter. We just started a Twitter account IFB underscores podcast, and it's a great way to reach out to us if you are looking to connect with us. So with that, I'm going to go ahead and sign us out.

If you guys go out there and invest with a margin of safety, emphasizing safety, have a great week. We'll talk to you again.