IFB222: Dollar Cost Averaging - What It Is And To Apply It, Plus Analyzing High Debt to Equity Companies

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Dave 00:00

Alright, folks, welcome to Investing for Beginners podcast. Tonight we have episode 222. And we have three great listener questions we're gonna answer on the air tonight; Andrew and I will do our usual give and take. I know everybody loves that phrase. So we'll do our little give and take and hopefully answer your question. So I'll go ahead and read the first one.

So I have Dave; I have always thought of dollar-cost averaging as buying a stock for less than your initial purchase price. You break down the individual cost overall by buying it as it sinks. But listening to your show, you guys use it as a general monthly investment strategy, regardless of price. Is DCA simply a consistent approach to investment and not lowering your cost slash share? The great show really appreciates what you're all doing. Thank you. So Andrew, what are your thoughts on The Great question about dollar-cost average gonna be a bit of a theme today?

Andrew 00:49

It is a theme. So let's define it for the very beginner investor; how would you define dollar-cost averaging to somebody,

Dave 00:56

the way I would define it would be making a regular monthly investment at a certain set amount every single month. So if it's $1,000, then every month you're putting $1,000 into the market, if it's $100. Same thing. So that, to me, is what dollar-cost averaging is. What is it to you?

Andrew 01:16

Yeah, that's exactly it. I guess the second part of that question would be, how do you apply it? I know for me personally, I dollar-cost average, meaning that I am building a habit, but it's I kind of see it as separate from it's not that I'm dollar cost averaging to the same stock every single month, what I'm doing is I'm dollar cost averaging funds into it's usually a new stock pick every month, or a stock pic I've had already, but it's not like I'm buying Microsoft 12 times in a row. What's more, I'm looking at what stock do I think's the best value today? Next month? What's the stock that I find the next value today? And then that's kind of how I approach it.

Dave 01:58

So what are your thoughts on dollar-cost averaging up? As well as down?

Andrew 02:03

Yeah, that's tricky. I mean, obviously, you want the dollar cost average down when you can? Like, what's kind of implied in the question, it reduces your cost basis. And I know you've talked about that several times on the show before; if I buy a stock at 10, and then I buy it after it drops to five, my cost basis, how much I actually spent is half of that it's seven and a half.

It's an average of 10 in the five. So Docker servers on the way down are great because you're being able to basically buy low; you're able to buy more shares as it goes down. On the way up, though, you kind of take that, and you flip it. So it's like, well, am I buying high? Because I'm buying on the way up? And I would say sometimes that's the case. But sometimes it's not. I mean, think of a great company over the last 510 years; these companies aren't just staying static, they're growing in size, they're hiring more employees, they're raising their revenues and their profits.

And so just because the stocks went up 20% In the past six months, what if the business has grown that much to you're not really buying on the way up, even though I feel that way? You're buying a more valuable business because the business itself has grown? And so, I don't think there's a right answer for buying up or buying down. You kinda have to look and say, what's the value today?

Dave 03:24

Yeah, that's really the kicker is what's the value today, and trying to anticipate or, I guess, analyze the company enough that you understand kind of where the business is. And if you look at the market as a whole, the way it's functioning right now, it's kind of wild. But there's lots of downward movement. And there has been for a little while now. And so it would give you an opportunity, depending on what sector you're looking at investing in $2. cost down, for example, there are companies that I have bought, a perfect example is PayPal, PayPal is a company that I am long, but it's going down a lot since I initially bought it.

And so I've been buying pieces of it as it's gone down. And that helps reduce my cost basis. So that hopefully, in the future, when a company rebounds, I will make more money in the long run. And that's really one of the I guess the hallmarks of value investing is trying to take advantage when there's fear in the market. And that would be for a company like PayPal or not talking about the overall market per se, but a company like PayPal, there's a lot of fear about the company and how well it's going to do and whatnot. But it kind of goes back to understanding the disconnect sometimes between what the market is telling you what Mr. Market, our friend that presents a different price to every single day.

He's presenting the idea that the company is not doing well. But when you look at the overall fundamentals of the company, you see that all Those things that may be induced you to buy in the first place are still doing

great. And so that would give you an incentive to go, Okay, well, now it's selling for cheaper. It's kind of like buying socks at Target. Well, you know, I really want these, but now they're on sale for $5. Less well, yeah, I'm gonna buy them for sure.

So it's kind of the same idea with the stock market and dollar-cost averaging. It allows you to buy companies' good investments for you at different times at a lower price. But I think the idea of dollar-cost averaging to me was first initiated when I started investing in a 401k when I worked for Wells Fargo because they're every month, they were taking a portion of my paycheck and putting it into the 401k. And in essence, what they're doing as they're taking that money, whatever the dollar amount was, I don't recall what it was exactly. But they were spreading that out among the different investments that were in my 401k that I already allocated money to. And so, every month, they were just adding more and more money to those allocations.

And that's really, most people when they dollar cost average, that's really what you're doing, whether the markets going up or down, you're continuing to buy into, you know, those shares of whatever it is that you're investing in, in your 401k. And the same idea that Andrew was talking about that's we're doing with individual stocks. So it all kind of operates on the same idea is that consistently putting money into the market and making it work for you,

Andrew 06:25

if I can just try to simplify what I was saying earlier, and I think you kind of did a great job of that already. But in my mind, dollar cost averaging is not necessarily about lowering your cost basis. Sometimes that does happen. But it's more about the habit. And so over a long period of time, you're going to buy more, you're going to buy less sometimes, but over the long term, on average, it's going to be a lot better than you driving yourself crazy trying to time stuff.

Dave 06:52

Yeah, exactly. And I think the key point to dollar-cost averaging is it creates a habit. And we've talked a little bit about this in the past budgeting and some of those things. The biggest issue with people getting started in investing is they think they have to start with big sums of money. You know, I gotta have $10,000 to start investing in the market. You don't, and especially now, with all these brokerages, offering partial shares, and being able to open accounts with no balances, you could start with as little as five or $10. The bigger issue is that idea of paying yourself; first, I know that that's kind of a tired phrase a bit, but it's really true.

And if you don't do that, then you'll never start the habit, and you'll wait for $10,000 to magically appear. And if you don't do, then you won't get started. And timing the market is way more important than timing the market. And so if Andrew and I can encourage you anything today, it's to start investing. Now, don't wait, open an account, buy one thing, whatever it is, just buy one thing, and then start consistently putting that money in there. Whatever it is, if it's if you can only afford 20 bucks, then put 20 bucks in there. There's nothing wrong with that; it's not a race, it's not a game. And it's not to see who's got the biggest account faster. It's about developing a habit. And that's what dollar-cost averaging allows you to do is develop a habit of investing, just like paying your phone bill or anything else.

Andrew 08:20

That's a great way to put it. They've very well said,

Dave 08:23

Thanks. Alright, let's move on to the next question. So like I said, this is going to be a bit of a theme here. So we have. Hi all, I have an easy question. I'm 50 and fully diversified by a portfolio of around 20 stocks and invest $1,000 per month. My question is, once diversified, how do you pick what stocks to add money to? Do you just go down your list every month and put $1,000 into each business?

Or do you have another formula? I buy into the stocks that are down or look at 52 weeks. Whoa, slash Hi, I am an avid listener and eager subscriber and value trap indicator purchaser, and I love what you guys do. Thanks in advance. Brett. So Andrew, what are your thoughts on? Brett? Really good question. It's kind of a continuation of what we were just talking about.

Andrew 09:05

Yeah, it's a great question. And something that, you know, if you're not there on your journey, yet, you will be one day because as you're building a portfolio that becomes diversified. You eventually run out of space. So you do get to figure out what to do with the money itself. For me, I am always looking at what's my best opportunity in front of me. So sometimes I'm adding to stocks that already have sometimes on buying new stocks. And I know in the past on the podcast, we've talked about 15 to 20 stocks being a good general rule for a portfolio.

That is a good general rule and a good general framework. But I think it's one of those things that are so commonly accepted that people kind of doesn't think twice about it. And it should be reconsidered, and I don't know if I want to get into all the nitty-gritty about why. But I would just say that in general. You know, I'm not talking about having like 1000s of stocks, But the more stocks you have in your portfolio, the more of a chance you have to have a stock that really drives your portfolio's returns. And so those stocks are rare. And so I wouldn't be afraid of going over 20 stocks.

I mean, if you did a good job with your stock picks, that means all 20 of your stocks are probably really high, and they could get really expensive. And going back to the value investing thing, you pay too much for a stock, you're going to get killed by Mr. Market. So that's where looking for is there another great opportunity somewhere else that can be really beneficial for you, when you talk about being somebody who's kind of doing on the side, though, it becomes problematic. So if you don't have resources, like the leather which we offer, or somebody else kind of helping you with managing an expanding portfolio can become difficult. And that's why I have so many people who do finance for a living.

Dave 10:57

Yeah, exactly. It's a really interesting question. And I think some of the things that I think we could probably explore a little bit or so, for example, one of the things that, you know, Andrew and I both try to find the best investments we can, and sometimes depending on such a perfect example is, I have in my portfolio, a few choice companies that are in the payment space, for example, because that's I've done a lot of work over the last year or so on that sector.

And it's really fascinating to me, and I found some companies that I think in the long run are going to do really well. But over the last three or four months, they have all gotten hit pretty hard. And they have fallen from their previous highs, air quote. And so one of the things that I have been doing is trying to allocate money to those companies to try to kind of continue the dollar-cost averaging as a habit. But I'm also trying to lower my cost basis on those companies.

So that when they do rebound, I'm going to do really, really well, I think, and it also I look at it as like I'm trying to get under wherever I think it's gonna bottom out at, you know, if I can get under that, and then it

rebounds, then I will do really well on some of those companies. So for me, it's part of I have a kind of a, an overall strategy where I'm looking at my overall portfolio. And if I had $1,000 a month to allocate to it, then I either look at do I want to add, are there other opportunities that I want to add to the portfolio? In other words, buying new companies? Are there those, or are there companies that are already owned that I think are great companies but now are getting beat up because the market is turned against them? It doesn't mean that the companies are bad, or they're losing money, or they're going bankrupt, it just means that Mr. Market has decided, hey, these groups of companies I don't like anymore, and we're going to get out of those, and we're gonna buy these instead.

And at some point, it'll turn, and it'll go back to this, and things will go back up. And so, when I've tried to consider what kinds of things I'm going to invest in, I will look at kind of the overall construction of the market. If I'm struggling to find things that I think are good investments, then I may choose to put more money into the particular company; I also spend a fair amount of time looking at quarterly reports, try to revalue the companies on a regular basis just to kind of see if anything's changed.

And if I feel like a company, you know, like PayPal, like I talked about earlier, is undervalued now, then maybe that would benefit me putting more money into that idea, then it would try to find another idea that I don't necessarily have the same conviction on for whatever reason. And so that's, I mean, that's for me is one of the things that I guess I kind of look at, that's what helps me I guess, I'm curious if that's something you think, Am I nuts? Or is that something that you kind of ascribe to?

Andrew 13:54

No, I don't think you're nuts at all; I think what we need to be careful of, and the reason I say this is Brett mentioned in the question about talking about 52 weeks high and 52 weeks low. And there's something that, trust me, as every investor runs into this, so don't feel bad about it. And especially if you have stocks that are going down in your portfolio, you can start to feel the same way, too, even if you know that you shouldn't be thinking this, but there's a bias. It's like a behavioral bias. I think they call it anchoring. And so it's this idea that like, you look at a stock and you say wow, it's down 50% from its high, that means it's cheap, you know the steel, so I'm gonna dollar cost average down and then you just that's such a bad thing to do because you have to remember the stock market.

While there is some of that moving around with Mr. Market, it is also about the fundamentals of the businesses underneath them. And so, you know, you take one of the meme stocks or one of the crazy growth stocks, and they might have fallen 50%. A lot of those fell another 50%, And they could still continue to fall because one of the things about a stock that goes up, potentially to infinity, when investors are so crazy about it is that it can get so out of whack with what it's actually what the business is actually worth. It could be down 50% from its high, and they could go down again, and they could go down again. And it might sound like a crazy thing until you live through it. But go throughout history, it's it happens over and over and over again in so many sectors and so many stocks. And so we kind of just have to respect the history a little bit.

And understand that there is an anchoring bias; we're all going to be subjected to it. And so when we do dollar cost average, into whatever we think is the best value, make sure it's the best value because that's in relation to what the business is actually worth versus not because it's down 50% or 25%. So when I say what the business is worth, imagine, if you had, let's say you're on a desert island, and you're starving, you could buy a pizza for $50. Or you could buy a pizza for $10. Which one's cheaper? Well, it depends on how many calories you're going to get. Right? If it's a loaded pizza with like, hundreds of beautiful toppings, and you know, 1000s of calories for $50.

But then your other pizza option is well slices of like microscopic cheese, and we're only talking about 100 calories. Well, on a desert island, that $50 is actually a better price because you're getting more for it. So that's what we mean when we say buying stocks that are cheap or good value compared to what they're worth; you're doing the exact same thing. But you're doing it in relation to instead of a metaphorical pizza; maybe it's a Domino's Pizza, that company, how much are they making? And how much is their stock price? Or maybe it's the target or another company like that. So you have to do some understanding of how big the businesses how much they're making them profits. And that helps you set? What's a fair price for them in the stock market because over the long term, the market follows those values.

Dave 16:51

Yeah, they absolutely do. Our friend Braden was on a few weeks ago, and that's one of the things that he was talking about is over the long term, the business fundamentals matter. And they will tell over time, and that's why you see some of these wild fluctuations of certain companies. And you know, like Andrew was saying, sometimes the price gets way ahead of where the fundamental of the value of the company is. And the market will bring that back to our quote reality at some point, and it doesn't mean that it's a terrible company or that it's a bad investment; it may be a better investment at the lower price than it was at the sky-high price, just because now it's more in line with the fundamentals.

And if the company continues to perform as they should, growing their revenues growing there, the value of the company, then the value of the company in the market will grow as well. And those are some things that sometimes get disconnected with the ebbs and flows and the prices that we see. And I want to mention something about the anchoring bias. It's real. And the reason why I know this is I worked in the restaurant business for a long time, and I helped construct a lot of menus in that. Is something that is taught in the restaurant business is to use anchoring to help drive sales of particular items on menus. And so sometimes, if there's a product is a higher margin for the restaurant, and they want to push it more, they may adjust the prices around that item to change the anchoring bias that people see. And it's really prevalent on wine lists; you'll sometimes see on wine lists, you'll see bottles of wine that may be selling for $500,000 A bottle.

And the restaurant really has no real intention of selling those they will at some point, but they understand it's not gonna be a high mover. But when people look at that, and they see that you know, this is super, super expensive. And then they see something that's maybe $200. Well, now that doesn't seem as expensive compared to a 500 or $1,000 bottle of wine. And you can always tell a little pro tip here for anybody that's looking to buy a bottle of wine at a restaurant, and they want to, I guess, impress people. If you look at the wine list, and it's not in order of price, that's a restaurant that kind of has an idea of how anchoring bias works and what they're setting it up.

When you see a restaurant that just lists all the bottles, and by price cheapest to most expensive, they have zero clue what they're doing. But if you see the prices all mixed up together, that means that they're using anchoring bias because you're going to look at all these different things and go, Oh, I really like Pinot Noir. And or seven of them. One of them's 20 bucks, that's too cheap, but another one's 180 bucks, that's too expensive. Now I'll go for the $80 one or whatever, then that will; you know that drives up the margin of the restaurant because they're going to sell more bottles of the $80 versus the 180. But anyway, okay, so complete segue from investing but something that kind of fits into my wheelhouse. So it kind of would have wanted to talk about the kind of the anchoring bias, and how it is a reality, it is a real impact for sure in Israel.

Yeah, it totally Alright, so I think, you know if you're looking at creating your portfolio, it kind of goes to having a plan, and then following the plan, and then when you get to wherever you are with your plan, then it also takes a little more maintenance, to understand what you want to do with that portfolio going forward.

And, you know, some people can buy a new stock every single month, like every single month, I'm not saying that that's wrong. But if you're comfortable staying in the 15 to 2025 30, whatever, parameter your kind of setting for yourself, then you're also going to have to make a decision of how you want to allocate that money. And it also goes to how big do each of these positions becomes. So to keep it simple, if you have 20 stocks, an ideal air quote allocation would be around 5% of each company. But as Company A grows faster than Company B, it's naturally going to become a bigger portion of your portfolio. And then you have to start making decisions on whether you want to produce that allocation of the bigger company A, sell some of it other In other words, to buy more of Company B to even out the allocation. That's kind of what 401 K's do when they rebalance is they take, you have a preset allocation, whatever that may be. And then when they rebalance, they sell parts of the ones that are doing well and allocate to those to the ones that have a lower allocation, so it brings it up. So if one ETF drops to 8% of your portfolio, and it's supposed to be 10, then they'll sell the other ETF to bring to allocate more money to the other one to bring it up to 10%. Those are some of the decisions you have to make when you're allocating funds for a portfolio.

Andrew 21:55

I hope that let me take the CF somebody who's like overwhelmed when you say that, how do I make that like really simple?

Dave 22:01

How would I make that really simple, I think the easiest way that you could do that, you just have to try to find the companies that you think are going to have the best long-term potential and allocate money to them. So when you're deciding every month, where do I want to put my $1,000? If you have 20 stocks, and you think, you know, I really like these two, or these three, and put money in those. I think that's probably, you know, if you feel like Apple right now is maybe not as good of potential as stocks B, C, and D, that put money in stocks, B, C, and D. I think it really comes down to that.

Andrew 22:36

Yeah, that's how I do. That's how I make my money. That's how I recommend for subscribers to do it as well. And, you know, nobody says you have to do it on your own. You can leverage other resources, like the ELI there, to help you with that if you're going to do it every month. Yeah, absolutely. That's totally correct. Okay, so move on to the last question here. Hi, David. Andrew, I just finished listening to all your episodes. Thank you for this amazing resource—my question. I know Andrew is very anti-debt. So I wonder what he thinks of Lowe's and Home Depot is an as extremely high debt to equity ratios.

From what I can tell, people generally agree these companies are strong choices for investment. But their debt scares me off from buying. Why is it so high compared to other retail? Would any advice be appreciated? Thanks from Daniel in Atlanta. And Daniel, I've been asking myself this question for months, once a month, a month. And I don't know why they do it. It's just this the way that these companies aren't; maybe they can get away with it. I don't know; they do seem really safe in the sense of like, by all traditional metrics, they are safe companies like Moody's; you talked about Moody's a couple of weeks ago, they rate the debt until they basically try to determine how risky that debt is. And they give Home Depot, I think, as an A rating, or it's a good solid rating.

And so, if these companies were to continue driving the kind of sales that they do that they have, for a long time, their debt shouldn't be a problem. It's just sometimes you can look at some companies, and they can be a little bit more aggressive with their, with how they're choosing to keep money in their business. So like Home Depot and Lowe's as another example. They don't keep much cash laying around; they have a lot of

like, they don't keep a buffer for short-term stuff. So that's usually not a problem. If if the markets are working healthy, and there's a lot of liquidity, and everything's running smoothly. That's never a problem. And that's probably the market majority of the time. So it really comes down to is the way that they're choosing to have so much debt and choosing to have, and it's not so much even like the debt itself is just there, they'll keep assets. So I don't want to get like super into the accounting, but basically, they are very aggressive with buying back stock a lot more than some other companies are. And I'm a huge advocate of buybacks. Most of my portfolio has stocks that do stock buybacks. I think it's a great way to give money back to shareholders.

But they're very, very aggressive over the last ten years Lowe's has done it, they've reduced their shares outstanding by 5% a year, on average over those ten years, to give you a perspective of a company reduces it by like 1%, that's considered pretty high. So try five times and try over a ten-year period, Home Depot, similar story 4%. So they're just buying back a ton of shares. And, you know, it's one of those things; they probably don't see any competition around the horizon. So they don't feel like they need that money. So they buyback, and that makes the stock price go really high. And that's a big reason why, especially Home Depot, has done so well with their stock prices because they continue to buy back stock. So for me personally, I mean, I haven't pulled the trigger yet, obviously, on either of those companies.

And a big part of that is because both in the short term with how much like the cash they keep around in the bucks, versus how much they have to pay on stuff. They don't keep a lot, especially compared to other retail just like Daniel said. So that's one reason. The second reason is I don't know how sustainable these buybacks are. And for those reasons, I haven't pulled the trigger. And you really do have to take on a case-by-case basis because I do have another stock in my portfolio that's very aggressive.

And they kind of have a similar story; I just kind of see their revenues as more stable than in the worst-case scenario with a company like this could be doesn't mean I'm right or wrong. It's just it just kind of shows you where my comfort level is.

Dave 26:28

It does. Hey, so I guess a couple of questions that kind of sprang to mind when we're kind of discussing this. The first one is, can you explain a little bit maybe from a high overview, when a company generates cash, when they have revenues, and they have money that they can spend on things? What kinds of choices do they have, as far as allocating that capital,

Andrew 26:48

so they can pay it as a dividend, they can pay back some of their debt. So they have that debt, they want to pay some of that back, they can keep it just have it sit inside the company just in case, they can buy another business, or they can reinvest in the business. And so if you think about Home Depot is an example. They're basically just in the United States, and pretty much anywhere you go, you're not gonna have trouble finding Home Depot; I mean, they're everywhere. So in their case, they've tried to expand internationally; I can't remember if it was Canada or Mexico, they tried, and it just failed horribly; they had to close some of that. And you see that with a lot of retailers in the United States. So they kind of just don't have anywhere to grow to anymore.

Something they've been investing in lately is inventory because everybody has heard about the supply chain shortages everywhere. So that's a good way to kind of invest in the short term that kind of stock up your shelves, make sure you can sell all the crazy demand that these home center retailers have seen. But longer-term bigger picture, it's like, well, they're not gonna buy each other. I mean, they could, we'll see. Yeah, but

maybe there are not many places else for the money to go; that could be a thing. And, you know, you would be shocked. I think one of the things I was really shocked to learn as I started observing the stock market in March is that you could have a company, and it doesn't need to grow to become an Amazon to have ridiculous stock returns.

For example, the stock that's performed the best over the last 30 years was a certain 30 year period; it was Domino's Pizza. But their market cap is like 15 billion. So that's like really, really small. I mean, Amazon Microsoft, their market caps over a trillion. Domino's is just really small, this 15 billion because their business models difference just it doesn't need a lot of cash. But the stock price continues to go up because they keep buying back stock. So WD 40 is another good example of a really, really small company, and they just have kind of stayed in their lane. And that's done really well for them. So I think I don't see any problem with like, some accompany doing buybacks and doing lots of them. I think it's a very good thing for a company to do just stay in their lane. I'd rather them do that, then, you know, try to open stores somewhere where go under it will lose a bunch of money. Yeah, totally. So there is something to be said for that. But there's also something to be said about, like, kind of keeping the cushion around. And so, I generally lean towards companies that keep a cushion. I mean, I love companies that are debt-free in general. So yeah.

Dave 29:23

Alright, so that kind of leads me to the next part of the question. So he asked about the high debt to equity ratios. And I guess without getting into the nitty-gritty of that, could you kind of explain a little bit like what debt to equity ratio is, and maybe allude to a little bit what he's talking about here?

Andrew 29:41

Yeah, so that's, it's all just accounting, right? And so it kind of goes back to what we're saying about what you can do with the money. We said how you can kind of you can spend it, you can invest it or you can keep it So cash is an asset. I think we can all agree on that. And then you have expenses. Liabilities. So that's on the other side; you have assets and liabilities; whatever's left is your equity, similar to the way we have home equity on our homes. So remember how we said the company wasn't keeping a lot of cash; they were spending it on buybacks and lots of it.

So when you do that super, super aggressively, your equity goes down; you contrast that to business, let's say like Microsoft, where they're building up a bunch of data centers to have a bigger reach, so they can reach more cloud customers, those data centers are assets. So instead of that cash, maybe going to a buyback and going away from a balance sheet, it's added to the balance sheet, and that's an asset that increases their equity. So that's kind of the difference where you'll see companies buy back more; if they're very, very aggressive with it, they'll actually be shrinking their equity. And that's why you see that that equity goes so high because the equity part is so low.

Dave 30:55

That makes sense. So, in essence, when you see something maybe that looks a little out of the norm for a particular company or even a sector, it probably behooves you to look a little deeper and try to uncover maybe why that is.

Andrew 31:08

Yeah. And I think it's a great question to ask, and the fact that raised red flags, I think, not to say that this is a bad situation, it's just you have to ask yourself, you know, what kind of companies, Oh, and invest in? I think

buybacks are good. And I think companies that stay in their lane are good. And the stocks have done really I struggle with like, how to talk about this, because they've been great stocks, you know, and I've been looking at them for a long time because they're great businesses. I mean, Home Depot is like the Costco of the home improvement, retail, you know, so they're great businesses, and they could conceivably do this for 510 20 years still.

We'll see. It's just I don't know, something that Buffett said that I came across recently. He said, one of the things that I do is try to reduce catastrophic risk. And I think some of the turbulence that we've seen lately kind of underscores some of that with some of the geopolitical risks. And this is just one form of that. So you have to ask yourself, is that a risk? Are you happy taking it or not? I think the businesses will be fine. I just don't know how sustainable 5% and 4% of shares are outstanding every year; those are huge buybacks. How sustainable. That is.

Dave 32:14

Yeah, those are definitely big boy numbers. And I think what you said there at the end is really kind of the key of the whole idea, whenever you're analyzing any kind of stock is thinking about, what are you comfortable investing in? And what are you comfortable with? It kind of goes back to some of what Buffett and Munger have said in the past, what are you comfortable buying today that would allow you to sleep tonight and not lay in worry about it? And you know, thinking about some of the geopolitical risk or any sort of risks that could you know, nobody saw COVID coming?

And how could we look at all the chaos that has been wrought over the last few years? And nobody could have predicted that. And so having companies that could withstand that, that's a whole other conversation. But having companies that could withstand, that you could still go to bed and not stress about, I think, is really the key to investing.

Andrew 33:02

Everybody wants to criticize Buffett for having too much cash on his balance sheet. And then he goes and outperforms now all of a sudden, he's everybody's, you know, the hero again, right? Like, as predictive as the market cycles, like, you should use that cash. Oh, he's got a great cash cushion. He's the best like; you get both sides of that. And yeah, I think if Buffett does it, there's something to be learned about having a little more of a conservative approach to business.

Dave 33:29

Yeah, for sure. For argument's sake, you know, he is probably one of the better stock pickers ever. So, you know, probably, you know, listening to what he says or observing what he does is not a bad way to go. Yep.

Alright, folks. Well, with that, we will go ahead and wrap up our conversation today. I hope you guys enjoyed our conversations on dollar-cost averaging. And the great question about Home Depot and Lowe's wanted to thank everybody for taking the time to write us those fantastic questions. A little side note, if you have any questions about anything that we talked about today, for those of you that are not familiar with this, we have a website called Investing for beginners comm where we have all kinds of great resources to help you learn more about investing, the stock market budgeting, lots of great stuff. We have a search bar in there.

So if there's something like if you have no idea what debt to equity is, and you really want to learn more about it, there are lots of great articles about debt to equity. Just hit the search bar, type it in, and you'll get all kinds of resources to look up All that stuff, so that's there for you to help you learn more about investing

because that's what we're all here to do so without any further ado I'll go ahead and sign us off you guys go out there and invest with a margin of safety emphasis on the safety Have a great week we'll talk to you next week

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