



IFB250: The Wealth Snowball Recipe

[This transcript was generated by artificial intelligence. Timestamps are not 100% accurate depending on the platform used for listening].

Contact sales@advertisecast.com to advertise on Investing for Beginners podcast. The Investing for Beginners podcast is part of the [Airwave Media](#) podcast network.

Dave

0:00

Alright folks, welcome to Investing for Beginners Podcast. Today we have episode 250. And today we're going to talk about this cool thing that Andrew came up with. It's called the wealth snowball recipe.

So we have four, I guess ingredients, if you will, that we're going to work through to help you build your wealth. So Andrew, I'm going to sit, you're the creator of this, I'm going to let you kind of start off, and then we'll kind of work through the recipe.

Andrew

0:24

Alright, sounds good. In case people aren't getting enough recipes for the holidays, exactly. Add another one here. I don't even know how to cook and you can still make your own. So there you go. First, what is the wealth snowball? I think it's something that we've kind of talked about a lot. But basically, the way building wealth works is through compound interest. compound interest works because as you push a snowball down the hill, but further down the hill it goes, the more snow accumulates, and that becomes a bigger and bigger amount that starts to multiply that wall snowball can actually be more achievable than you might think it's not some distant thing that's 40 years down the path. And that's not my opinion, this is actually a true fact.

So just real quick, and then we'll get down into the ingredients. But if you follow the real money portfolio for the, say, the researchy leather, we're doing \$150 per month, and we've been doing that since 2014. So in that time, now, the portfolio has gotten to I think it's around 1819 \$20,000. So it's not nobody's retiring off that if you're following that program. But \$150 a month is \$1,800 a year at \$18,000. A portfolio is now able to generate more in gains than I'm putting into it. So it's reached this part of the snowball, where it's generating more from rolling down the hill than it is for me pushing. And so it took 18 months to get there. So it's not happening overnight. But if I was able to do it, anybody can do it. And so to have that kind of a mindset, I think can help to build a wall snowball.

Dave

2:09

That's pretty cool. It starts to feel like real money like this is going someplace and when it starts to generate its own income, just from inertia. That's pretty cool. Yeah, that's pretty cool. That's, I think, a great illustration of the impact that compounding can have, let's dive into the recipe. So what's the first step? What's the first ingredient.

Andrew

2:31

So the first thing is you can't just build a snowball anywhere, if you're gonna roll down the hill, you got to find a hill. So you need to start with that. And that's just a basic preparation step. So I feel like there's a lot of ways you could think about it. But I think the biggest way that's especially relevant to today is you cannot panic, you should not worry, you cannot add a single hair on your head by worrying. You cannot add a single cent to your portfolio by worrying.

And whether it's inflation or an upcoming recession, or whatever you think you're not good enough, you think you can't do it. You don't have the discipline, whatever it is, none of that stuff will help you towards your goal. So you have to get rid of it. This is something you know, we all went through, I'll pull out country music reference just to be a little controversial. There was a really great song that Luke combs, one of my favorite artists came out with, it's called Six feet apart. And he was talking about how things were just two years ago, where everything was locked up.

We were all just waiting to be allowed to go outside. And it just seemed like this hopeless, hopeless thing. And you look back two years later and things. I mean, yeah, I mean, the economy's kind of sucks, but things are opened up again. And we're able to do that he sang about that one day, we'll be able to hug and shake

hands and all of these things. So if you think that you have been able to survive that, because you're listening to this, you can also survive the overwhelming fear or worry that you might have about your finances, because things can get better. And they do.

Dave

4:11

They do get better. So what would you suggest for somebody that maybe struggles a little bit with this kind of mindset?

Andrew

4:19

So I will say, you know, there's always misfortunate things that can happen to you. So I had a family member's very close to me, and I saw him get laid off during the.com Bust. So I was pretty young when this happened. But getting laid off is really hard. And any financial setback can be really, really difficult. And it's not just hard just from the practicality of all man like I gotta cut back on spending but like it's literally an emotional experience where you question yourself and you question your abilities and you wonder like, Is this my fault? Am I just bad?

These are all things that happen when you're going through financial setbacks, and I think it's okay to acknowledge that those feelings are real. And you have to accept and you just have to grieve it and move on from it. And so I remember my family member from being in the middle of like a very prosperous career, and then having to work part time at Home Depot with a bunch of like 16 and 18 year olds, and then completely, like generating a brand new career after going to school again with a bunch of 16 and 18 year olds. And then you fast forward, I think, like 16 years.

And now the question is not like, Oh, am I gonna have a career, it's like, I made more of my 401k in the last three weeks than he probably ever made. And that holiday job, right Home Depot. So I would just say that, it might look hard. In the short term, if you're struggling with this mindset, that things are going to be okay, it's going to be okay, just grieve whatever's happened to you, and try to release the worry, because it's not going to help you abundance does not come. It is not attracted to you, if you're constantly worrying and trying to hang on to that worry. So trust that in the future, things are going to be okay. Because they will, it just might take a

Dave

6:15

little while. That's great advice. And a phrase that comes to mind when I think about that, as this too shall pass. It can be a little bit passe. But it also, you know, it's a popular phrase for a reason, because it will pass. And those are great ideas and great advice. So let's move on to the second recipe, which is gather tools. So can you talk to us about that?

Andrew

6:35

Yeah, so if you're building a snowball, you got to gather all the snow and start to get that all organizing got together, you're gonna have to gather tools to get out of debt, or to build wealth, because it's not going to happen by accident, if you don't try to gather tools. It's interesting that another kind of, I don't know if it's like a same, but it's, it's kind of something that I've observed in my life, and maybe others have to, but you have to learn how to manage a little bit if you want to learn how to manage a lot.

And so you might feel like you don't have a lot of money, you might feel like, you know, they talk about digging out of debt, and your shovel might feel really, really small. But if you can learn how to manage what levels that you have, you'll be shocked how life can kind of find a way that to give you more of another family member who I'm very, very proud of. And she's younger than me. And the way she got out of debt was she, she sacrificed really, really hard and basically lived in a way that's not conventional. So basically just had to take all these sacrifices, the way she raised her family and the way she worked and lived, and did that for a short time. And sure enough, like the shovel was big enough where it made an impact, and she was able to get out of debt. And I had something similar with my life to where at after moving across the country, I moved back again for nine months to pay off my debt.

So you don't know where like the big breakthrough might come from. And it just might be something that's unconventional. When I moved back across the country, again, I had to leave my daughter behind. And that was really, really hard. And even though I knew it wasn't forever, it was still hard. And so sometimes you have to do things like that to make an impact. And you know, that's not for everybody. But I'm just saying like, sometimes, you gotta gather tools. And sometimes those tools can be unconventional. And sometimes you do need a bigger shovel, because one of my pet peeves is in personal finance, I just never felt like it worked for me, because it seemed like everybody else was killing it.

And sometimes you're just in a situation where you're not like that. And things are just harder. And sometimes it's just literally because you need a bigger shovel. So being patient, I don't know, like being

patient trying to find new creative ways to make a difference make an impact. I think those are all some practical tools that maybe aren't discussed in personal finance world. Yeah,

Dave

8:57

I would agree with that. And I think a great way to think about this, is use the time as you're getting started with all these ideas as a way to build your toolkit, and whether that's getting your finances under control, whether it's learning how to manage your money, and being under control with what you have. And it's also about gathering knowledge as you become a more well rounded person and have more experiences. You can bring those to the table when you're doing other things. Perfect example is when I was working in the restaurant business, I accumulated skills that I had never thought I would actually use in investing. And so ideas behind customer service or ideas behind managing a payroll or even learning how to read a p&l or an income statement. It was something that was required for me to become better at to be better as a manager of a restaurant and those skills translate to building my wealth.

Because if I learned to become a better manager, then I can translate those to becoming a better investor, because learning how to read an income statement is critical to be learning to pick individual companies. Because if you don't understand, at work, what's going on, you can't really translate that to Microsoft, it may not seem like apples to apples, you know, if you're working in a leather shoe store. And you may think that, hey, none of this is ever going to apply to be finding the next Google, you don't know that. And some of the things that you're doing in your day to day job are directly things that can translate to becoming a better investor, or learning how to manage your finances better. And sometimes it can be from observation.

And sometimes it could be direct relations, you may work for somebody, or may work with somebody that maybe is going through some financial struggles, make poor choices, with their finances, we've all raise our hands, we've all had friends, that they get paid, and then they go and blow their paycheck the next day, on whatever crazy thing that they decide to do, and at the end of the month, are scrambling to pay their bills and pay rent. And so if you see those things, and it drives you crazy watching that person go through that, then you can apply those kinds of ideas to your own investments, as well as managing your money. So you know, all these things are just trying to build the snowball.

These are all tools that you can use to help you build a snowball bigger and better as you go along. And we've talked a little bit before about side hustles. In other ways, you know, you were kind of giving some great examples of how some people have pulled themselves up by their bootstraps. And those are some of the things that we have available to us today that are far easier to get into than they were 20 years ago.

And so the opportunities, if we're in a situation where maybe we don't have enough to invest that we want to, or we've gotten into debt more than we'd like, we have the opportunity to use our skills, our likes our hobbies, to generate income, and it doesn't mean I think sometimes the stereotype is you got to make millions off of your side hustle. If you're making 500 bucks a month doing something you really enjoy. And it brings you a lot of pleasure, a you're getting a benefit from just that sheer enjoyment. But the \$500 can go toward whatever it is you want, building up your investment portfolio, saving more money, buying a house, paying off debt faster, these are all different things that you can do. And it doesn't have to be lots and lots of money. And I think sometimes that holds people back thinking that I can maybe do this and make a couple 100 bucks a month. So that's great.

That's awesome. And I think people think that they have to be the next Mark Cuban for it to be successful. And it doesn't every little bit will help. And I think if you continue to gather the tools, like we're talking about, as you're preparing to build this awesome snowball, this will help you a lot. So we've beaten the gather tools to death. Let's talk about the next step when packing the snow or fixing your finances. What are your thoughts on that?

Andrew

13:01

I guess I kind of maybe jumped the gun a little bit with my, my own story. But when I think back like I think if you have a lot of debt first off, number one, you should go listen to Dave Ramsey's podcast, because he is the OG in business money podcasts, and he's helped so many people get out of debt. I was like a Dave Ramsey dropout, like the amount of times that I tried to go on this program and failed, like would drive people insane,

Dave

13:26

was a 12 step program.

Andrew

13:30

A 12 STEP program for his baby step program really hovering, right? You know, it's just life happens. And for whatever reason, I'm just picturing, like a snowball, and you're trying to pack it, and you accidentally, like

smash it too hard. And it's like, oh, I got to start over. And at the end of the day, it's really not gonna kill you unless you let it kill you. And I guess the big takeaway for that is just keep pushing.

And you could make progress and literally blow it all up in like six months. And I've done that, and you can still get your snowball that you wanted at the end. I guess that's the big takeaway for your 30 ingredients.

Dave

14:06

Yeah, I would agree with a lot of that. And I think some of the things that I guess when I think about fixing the finances is building I think they're all common sense. Things that are talked a lot about their regulars for a reason. Building up an emergency fund is very important in I was actually reading about this the other day, and somebody was suggesting that just building it to \$1,000 just starting, you know, with a goal of \$1,000. And just getting there and then working from there.

And you know, the standard line is, you know, three to six months of your expenses, kind of idea and that's great to shoot for. But if somebody's struggling just to start building an emergency fund, just start with \$1,000 build to \$1,000. And you know, even if you only set aside \$20 a month, which may not sound like a lot over 12 months, that's 240 bucks. And that's A quarter of the way there, that's awesome. And so I think you need, I think we need to remember that we got to celebrate what we can do, instead of getting bogged down and what we can't do, or how we don't have this, and we don't have that. And I guess reframe the idea of, hey, I can do this.

And this is what I can do. And we can all do a lot of things like, I'll never be able to dunk a basketball. And that's fine. I've accepted that I've moved on from that dream. But there's lots of things that we can do if we put our minds to it. So building up an emergency fund, getting out of debt, or reducing your debt and having a plan for that. And then the other part of this is having a plan to invest. And we've talked about this before, and I'll say it again, I'll probably say it another million times, you know, the easiest way for me has to been to create it as think of it as a bill that I have to pay, just like my cell phone bill, or my water bill, I have to pay those I got to invest, it's important. If you go buy the I'm going to save it to the end of the month, or when I have money at the end of the month thing it never, it's never going to happen. In my banking career all that time sitting there with people struggling with this same idea.

Every single one of them would say to me, I'm just I'm waiting till the end of the month, start setting money aside, and then never have it. And so if you don't plan to plan, you're gonna fail, or I'm butchering that phrase. But if you fail to plan, you'll fail or something like that. It's

Andrew

16:23

it. Yeah, that's, I think, okay. So the plan, the plan, the fail,

Dave

16:27

right, there you go, perfect, thank you. So if you don't pack the snow and fix your finances and get in position to do the things that you want to do, then it's going to be a struggle long term. And so cleaning up your finances, having a plan. And being prepared to do what you need to do is the right mindset to go about doing this. And a lot of this is in our heads, frankly.

And I think sometimes we get in our own way. And I will raise my hand as a prime example of number one, I get in my way all the time. And it's you know, if I could just get out of my way, I might be able to do good things. But you know, it's part of life. And it's all what we struggle with in but pack your snow and fix your finances. So that's awesome. All right, let's move on to ingredient number four, push and push little by little. So let's talk about that.

Andrew

17:15

Yeah, that's the key, once you have all these things in place, and you just have to grind through it. Like I said, I mean, the 18,000 portfolio size, what's the big deal about that. So if you're new to the investing world, the average stock market return is 10% a year. So remember, 10% of 18,000 would be 18 118 100. A year is what the real money portfolio has been doing. And so I talked about, you know, my struggles with that, and the things I've had to do to try to get rid of that.

And that's helped, like with us launching this business. But like for building like the actual snowball that we're talking about today, which is my own little snowball, and it's on its path now. But, you know, there's nothing to say that it's impressive compared to anybody else's. But it's my snowball, and now it's moving faster than when I was pushing it before. All these things about like, paying off debt, or like having a side hustle. None of it contributed to the snowball part, you know, like if I just look at it on its own. And so to me to harp about dollar cost averaging like every other episode, that's because you have to commit to that. And just to double down on what you were saying, Dave, of paying yourself first, you have to commit to doing it, whether you're unemployed, or whether you're making like three times more than you're used to.

Like, by having that is really the only way to the only way that I see that's like a sustainable approach that can work for a ton of people, regardless of your circumstances. And so I'm probably the worst person when it comes to managing finances like, like, I'm so emotional with like, I want to spend this or want to spend that. That's just the way I am. And I have to be okay with that.

But having that \$150 in place has at least helped me built this one snowball that is moving down the hill faster than I originally pushed it. And so if I can do it, so can anybody else.

Dave

19:11

Exactly. So what prompted you to? We've talked about this before, but for those listeners that maybe have not heard this idea, what was the impetus behind \$150? Why that just random amount.

Andrew

19:23

So if you take \$150 It gets a little bit numbers, but big, big picture, you can reach \$1 million from \$150 a month. If you start at age 25 And you go to age 65 And if you can earn 11% a year, you can turn 150 into a million.

Okay, so I looked at that and I was like Is that reasonable? While most people cell phones bills are probably around there if you have a couple lines, if maybe you have a new phone that you just bought? So I think a lot of people have cell phones or listen to podcasts and probably stick to at least that and you know if your way ahead of that on the game, then just add a zero to whatever we're saying. But it's still, it probably still will take you, you know, six, seven years to get to a point where your snowball is pushing itself. And that's just the reality of that is that you have to do it consistently over time. I don't know how else to say that. Other than like, you find the next Tesla maybe in you somehow, like 20 extra money immediately.

Other than that, going step by step, month by month, sometimes the markets down, sometimes it's up, sometimes you're buying more, sometimes you're buying less. But over time, you look back and you're like, wow, I forgotten, I haven't had this goal. But now all of a sudden, they've reached it. And that's, I think there's something about building wealth. That's kind of like that.

Dave

20:43

Yeah. And the thing that I like about what you're talking about is, it really goes back to compounding and the impact that it can have. And you know, just kind of putting it in those kinds of terms, I think is super helpful. And I'm going to share something here. So Warren Buffett, we all know him.

So at age 19, he was worth \$10,000, at age 39, he was worth 25 million. At age 59, he was worth 3.8 billion at age 91, which is where he is currently 101 point 6 billion is what he is worth now. And those are the impacts that compounding can have. And you just think about that snowball that Warren Buffett built and how that has just grown and grown and grown over the years and decades in, you think of the value of some of the companies that he's invested in, and how much they've contributed to that snowball, you think about an investment that he made in Coca Cola all those years ago, is now like paying twice in dividends alone what he originally invested just because of the compounding of how that works, and how it mathematically works.

And, you know, I'm still kind of a little bit tingly from the idea that \$18,000 Now can read and can make more money by literally doing nothing. Nothing can make, you know, more than \$1,800 a month that is so cool, I think a very visual tangible idea of how compounding can actually impact and, you know, when we think about \$150 A month or you know, i Hey, I'm reinvesting dividends, and what do you do, I got 57 cents this month, you know, for my dividends, you know, it all adds to that snowball that all those little snowflakes, you know, the 57 cents, it's a no, it's a snowflake, it's a drop in a bucket, really. But over time, it just keeps adding up.

And that's I think this is a perfect, I guess, illustration to me of how powerful compounding can be and how the snowball can work. And just pushing it a little bit at a time. You guys are all sick of this phrase. But you know, water dripping on a stone eventually makes an impression. And this is it's the same kind of idea. And just continuing to just keep working at it and working at it. I read the other day, this kind of cool illustration of kind of the impact, that just continuing to do something can really make an impact. If you watch a stone cutter, work on a stone and trying to split a stone. And they just keep hammering on these different spots over and over and over again, you see nothing. And you just think to yourself, you can watch these, some of these guys will hammer on the same spot on a stone for 20 minutes to half an hour. And nothing will happen.

You think, Okay, this is crazy. But all of a sudden at once, it'll split in half. And it's because of the continual pressure that they're putting on that particular spot creates a vein in the rock that causes the rock to break. And that's how stone cutters have been cutting stone for centuries, millennia. And it just shows the power

of continually working at something and doing something because eventually over time, it will make an impact. And so I think what Andrew was talking about is brilliant.

And I love this idea of the, the well snowball recipe and these four ingredients that you can put together to help create your own snowball. And it's kind of ironic, because here in Chicago, it's actually snowing today. So we could possibly go out and build a snowman later. Not looking forward to that, by the way. But anyway, I just love this idea. And I think this can be so impactful to a lot of people and help get them started. You know, we're coming up on the new year.

By the time this goes live, we'll be closer to the new year. And that's when hope rejuvenates and that's when everybody's super excited and I think this could be something that could really help a lot of people get started in the new year and then we can help hold their hand and keep them going for the rest of the year.

Andrew

24:40

Yeah, we don't do this much but I was encouraged. You know if you can think of somebody who find a lot of benefit from this, share it with them if you enjoyed this recipe I guess please leave us a five star review. It'd be really awesome to get your guys's on this feedback and hopefully you found encouragement And I would just really stress you know, you can do it just start with a small little step and keep going. And like we've said, All episode long, one day it will push itself and that will be fun.

Dave

25:10

Yeah, that's awesome. All right, well with that, we will go ahead and wrap up our conversation for today. I hope you enjoyed our conversation about the wealth snowball recipe. And like Andrew said, if you enjoyed the episode, please give us a five star review. It helps us get more people finding our podcasts that we can help more people learn about snowball learn about investing and just become better people all around. 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 and we'll talk to you next week.

Contact sales@advertisecast.com to advertise on Investing for Beginners podcast. The Investing for Beginners podcast is part of the Airwave Media podcast network.

We hope you enjoyed this content. Seven steps to understanding the stock market shows you precisely how to break down the numbers in an engaging and readable way with real-life examples. Get access today@stockmarketpdf.com until next time have a prosperous day. The information contained just for general information and educational purposes. Only it is not intended as a substitute for legal, commercial, and or financial advice from a licensed professional review, our full disclaimer@einvestingforbeginners.com.