



IFB265: You Don't Need a Background in Finance to Invest

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Dave

0:00

All right, folks, welcome to Investing for Beginners podcast today we have episode 265. Today, Andrew and I thought we would talk about how you don't need a background in finance. To become an investor, we would talk a little bit about my personal background to just give you some ideas, inspiration, maybe some ideas that yeah, you can do this too.

And you don't need to go to school to become a finance professor to learn how to invest. And we can talk about some of the ways that you can learn and become better at this craft. So I guess with that, I'll turn it over to Sir Andrew, and he'll do a little interview of me if you will. So bear with us.

Andrew

0:39

Thanks, Dave. This could be a lot of fun. Tell us your backstory. What was your childhood? Like? Was there anything there that you feel like is applicable today? As an investor? Was there anything that like stood out about you as like, oh, man, this guy is gonna become an investor.

Dave

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I wouldn't say anything in that regard. Like I wasn't really interested in the stock market, I wasn't really interested in money, per se, I wasn't really interested in companies, anything like that, that would indicate that one thing I guess I would say, is I was fanatical about stats, so was fanatical about keeping track of stats and tracking performance over a long period of time.

So this is dating myself. But I used to have one of those electric football games that had these little men that had magnets, and you would turn it on the field and turn it on. And you could force them to go in different directions and stuff. And so as the nerd that I am, I painted them in the favorite colors of my teams. And then I would actually play games. And I would keep stats, I had a little notebook that I would keep stats of like running plays and passing plays.

And then I would compile those over seasons. So a play seasons, and then I would keep stats and see who was better than others and things like that. So that was something that I was very passionate about. And I did the same thing with baseball. And I had a dice game that I could play. And I would do the same thing with baseball. So I guess that's something that maybe from my background would indicate that maybe he maybe he might work with numbers, or be interested in numbers and statistics and just kind of keeping track of performance over a long period of time. I guess that's one thing that maybe would have indicated something like that.

Andrew

2:17

It's fun. I have a similar background as well. So parents don't get mad at your children for

Dave

2:24

obsessing about games. What about you know, when

A

Andrew

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you were in high school, or I know you went to college was finance even in the picture. At that time.

Dave

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In high school, I took a lot of math. So I was a math geek. But when I got to college, I majored in music, which has nothing to do with investing. But I minored in business. And so I ended up having to take accounting classes, super boring. And I had to take a couple finance classes, super boring. And I took a stats class, which I thought was kind of interesting. But the finance and accounting classes is really the only

reason I went was because there were a couple girls in the class that I thought were cute. But as far as like anything taking per se nothing really.

Literally the only thing I remembered from my accounting class was LIFO. Last In First Out and FIFO first in first out, other than that, not a thing, none of its stock. It wasn't really anything that I was super interested in at that time.

Andrew

3:15

Do you remember, if you are aware of the stock market are aware of investing at all?

Dave

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Yeah, I knew that there was a stock market. And I knew that there were companies you could invest in and that I knew that there were people that could get wealthy doing it. That was just kind of, I think something that our teachers probably talked about in my business classes. As a general rule.

We talked about that in my economics class, I do remember the professor talking about the stock market being one of the places that you could grow your wealth was in the stock market. So I do remember that. But as far as like having any sort of intimate knowledge of this is what Microsoft is doing versus GE at that time.

Andrew

3:54

I felt like that, if you could go back in time, and I guess, maybe just speak to the people who are in finance classes or accounting classes now that they find super boring. Is there anything you would say to them? Knowing what you know now? Yeah,

Dave

4:07

I think the overall takeaway is think from that period of time to make it to have made it more interesting. It would have been awesome if the teacher could have provided us with examples that would get us interested in something. So for example, let's say that I'm into baseball, finding a stock market or a stock company that has baseball as part of it. Now, Liberty Media is one of the companies now that owns the Braves. And so if I

would have been in baseball, if I would have been interested in baseball as a teacher, I would have gone to that student and said,

Hey, I know you're interested in baseball. Here's the financials for Liberty Media, which owns the Atlanta Braves. We can use that as a way to study accounting and finance by analyzing this company and learning more about it. What this company does the financials and kind of how that all interacts to the field. So you can see how what they're spending on stuff can translate into what's happening with the product on the field that you watch. And I think that would have made it 1000 times more interesting if they would have done something like that. And kind of similarly, because I'm a musician, trying to find companies that are involved in the music business in some way, shape, or form, I'm using those as examples to help to get me more inspired and get me more interested in it.

Because I think the more that you can tag, people with things that they're interested in, it will help grow their interest in what they're studying. And it still may not be the thing that they end up doing or wanting to do. But it gives you a better framework and a better, I guess, reference point to go, okay, you know, I love Starbucks, and I love their coffees, but this is how their financials impact my coffee every day that I get in, I think that would have made it way more interesting for me. And if you're studying those subjects now, and you're finding it kind of boring, I would encourage people to use those kinds of ideas to branch out and help make the subject more interesting for them.

Not necessarily just to get a good grade, which of course is great, but just to learn something because you never know what's going to spark an interest down the road. Or even today, you can learn something about a company and it inspires you to get more interested in FinTech or something like that, or, you know, something along the computer, you know, the Internet of Things, or the you know, just whatever energy, there's just a million different ways you can go with all that.

So, I think using real life examples makes it far more interesting than just a dry this is company and this was Company B and this is how they balance so like snooze fest. So

Andrew

6:43

snooze fest for sure. So I think that is brilliant. I'm gonna put you on the spot then. Because there's got to be somebody out there who likes baseball. So given a sample of what was it little liberal Liberty Media, let me give an example of that. And like something very basic of how you would apply it to what they do on the field.

Dave

7:01

Okay, I think the biggest the way you could translate that to the field is you can look at, you could compare the revenues to the salaries, so you could look at the revenue that the company generates. And then you could compare that to what the reported salaries are for Ronald Acuna Jr. or Michael Harris, Jr. or any of the star players on the team.

And you can look and see that, hey, you know, the Braves make, I'm just gonna throw numbers because I don't know the actual number. Let's say that they make 10 billion a year. And then you can see okay, they're paying Ronald Acuna Jr. 19 million this year, and they're paying, you know, Michael Harris 15 million this year, and they're paying, you know, the all these player, you can just literally go down the list and see how much money they're spending on these players.

And then that will give you a better insight into, okay, how much profit do they actually need to make from that revenue to be able to pay these players? And does that translate to a The Braves being profitable and be can they actually afford to pay these players what they're paying, because you hear in the media, the labor negotiations, oh, they don't make enough money to pay these players, the players are greedy, and they want more money, that's a tangible way you can actually look at the profit of the company versus what they actually pay people.

And you can even probably line it up a little bit with the payroll that the company actually pays out. And you can kind of deduce, okay, they're paying the players this much. And then they're paying the rest of the staff this much, how much of that is the players, there's a bunch of different ways you could probably go to get an idea. And then you could also see, if you look in the financial reports, they're probably going to report on merchandise. So you can see how much they made for their hats, for example, or the jerseys that their people are paying for, or compared to the tickets like, how much do they actually make concessions?

How much do they actually make on the tickets that we pay to go watch the games, I think there's lots of different ways you can kind of pull information out of just the financial statement that can correlate to what you do. When you go to the game. When you go to the Dodger game and you buy a hotdog, how much does that actually impact? What happens in the financials of the company?

And how much does it impact? You know, the fan engagement and stuff? So I guess that's the way I would probably look at doing it. And if I was trying to show somebody, Hey, this is how do I get this person interested? I would start there and kind of work my way down from there.

Andrew

9:24

You know, even if you're not a baseball fan, you could totally do that with McDonald's. You could do it with Starbucks, you could do it with Walmart, where would you suggest somebody go is like a first place to start looking at those kinds of numbers and relating it with your everyday life?

Dave

9:40

I think well, obviously the first place you'd want to look is the company financials, the 10k or the 10 Q, which are reports that companies put out annually or quarterly. And you would look at that information and then kind of think about how your daily consumption of coffee at Starbucks, I didn't want to say McDonald's because that wouldn't be healthy.

But you know, every time you go to McDonald's and you buy a Big Mac, how does that impact the business, you can think about how much they charge you at your store. And then you can divide that by the revenue the company does and go, Wow, that's a lot of Big Macs they sell to get there. But I think those are ways that you can kind of start to look at all those individual companies and kind of think about how that impacts the daily use of that product, whether it's Netflix, and your subscription, or whether it's Disney plus, or whether it's McDonald's, I think there's lots of different ways you can go with all that.

But starting with the company financials, you can find those a million different places, places I like to go or the either the company website, so you can go to Disney investor relations, for example. And you can find all the information there. Or you can go to BAM sec, which is I guess, an aggregator of all those information, you can also go to sec.gov. And you can also go to our favorite website, stratosphere.io.

There, they have all that information there. So those are all easy places that you can go look for all that stuff. Now. I guess one other I guess, stipulation, if you will, you might come across terms and terminology you're not familiar with or you don't understand what all this is like, how do I read a 10k? Or how do I, I don't understand what an income statement is.

And if you're kind of just starting out our website, shameless plug our website at investing for beginners.com. We have 1200 articles on the website. And we talk about all those specific things. So if you're reading through Starbucks income statement, and you don't totally understand what it is that you're

reading, you can always go to our website and use that as a reference to help correlate the terminology that you read in

the Starbucks financials and go, Okay, I don't really understand what SG and A means.

And that stands for selling sales, general and administrative. And you can get a definition of what that is from our website. And it can help you clarify what those numbers mean, when you look at that, versus the revenue, for example.

And so those are just, I guess, tricks that I have tried to learn along the way to help me learn because you're not going to know everything, as somebody who is a self taught like I am, and like Andrew is, we're going to come across terminology or things that we may not be familiar with. Sometimes you read about a company that maybe falls outside of your circle of competence, and it can open up new, interesting ideas.

But it can also expose you to terminology you may not be as familiar with. And so having a resource, like our website, I think is a great place to help kind of broaden your knowledge as you're going through all this stuff as well.

Andrew

12:40

I love that story from our buddy session, who would listen to our show. And he gets run over and write down any of the terms that he wasn't familiar with. Right. And sometimes you do have to do that when it's a language you're learning. And that's the language of money, you do have to maybe put in some effort, which is hard to tell people to do these days, because we want everything in front of us without any effort.

Right? I feel like we're here to say if you put in the effort, you can figure it out. And you don't have to advanced degree MBA and everything to do it.

Dave

13:08

No, you really don't. And I think you know, and when I say we are including all the people, Indra and I, and all the people that are listening to us right now, we are in a golden age of information.

Because we have so much information available to us because of the the internet and our friend Google, there is just a mountain of information out there that you can learn. You can watch videos, you can listen to

podcasts, you can read blog posts, you can read different websites, and you can go to Reddit, I mean, there's just so much information out there that you if you really want to learn, there's really no obstacle to prevent you from doing it just other than, like you said, putting in the time, and spending some time to do it. But everybody can do it. We've all done it, you and I have done it.

And you know lots and lots of people that listen to us have and are doing it right now. And it's we all have to start somewhere, everybody starts at the same place. We all start with, we don't know anything. And we have to grow from there. And it's it compounds. It absolutely compounds. The more you read, the more you learn, the more that compounds upon what you already know.

And it just helps clarify and codify everything that you know. And another thing that I guess I would encourage people to do is to find some way to if you're trying to learn something, one of the best ways to learn something is to teach it to somebody else. And figuring out whether that's writing, or whether it's going on a social media site and sharing something that you learn.

You don't have to be I think some people feel like and I know I felt like this too. I think sometimes people feel like they have to be, you know, Michael Mobizen to share anything that can be a benefit to other people. But we all have to remember one of my teachers always said that nobody sucks, everybody's just at a different point in their development. And I think that mindset is perfect because what we know maybe more than somebody else but it's not as much as somebody else.

And we can always learn from the other people that are around us. And sometimes people will have a different point of view or a different take on something that maybe you were struggling with, or maybe you didn't quite understand and the way they explained it to you can make you go, Oh, okay, you get the light bulb moment. And it can come from anywhere it can come from, you know, the smartest people on Wall Street to people that don't have a lot of experience.

And the experience that you have is more than the other persons. And so by sharing that, whether it's, again, through social media, or other avenues, it just helps other people. And it also helps you learn to because the more you try to teach somebody, how to explain something, what it is, the more you really understand it, I think it was a Richard Fineman that talked about the idea of teaching everything, making it so simple that a five year old kid could understand it. And if you can do that, that means you really understand something. And I guess we all need to go walk around trying to talk like five year olds up.

Andrew

15:59

Find the five year old

Dave

16:01

SGMA. Right, exactly. Explain to them the finer points of working capital. But the biggest thing is, I want to encourage everybody out there that, that you can do this, and there is nothing holding you back other than your fear of doing it.

And I have no special gifts or talents outside of what we're doing that allow me to do what I do. It's just something I'm interested in. And so I spend the time to work at it. And I think that's really what it comes down to. Andrew has shared with me the joys of Kobe Bryant, and kind of his mindset. And I think that's one of the things that I find so inspiring about somebody like him, who was obviously a very world famous person, and had a lot of success. But he worked his butt off to get where he was. And he had that mindset of just, you know, out working people.

And I think that's one of the things that if I can encourage anybody today is to when you're going out to invest is try to think about, I just need to spend some time when it comes to kind of the nose to the grindstone, you know, water dripping on a stone, any whatever kind of terminology you want to put to it, you just got to spend the time to learn the language, like Andrew was saying earlier the language of money. And once you understand the language of money, then you can start to understand how to invest, you can do it, you can absolutely do it.

The thing I like about it is there's no set way to do it. And it doesn't have to be done this way. You don't have to follow this path to do it. There's a million different ways to make money in the stock market. You just need to find what works for you and just work to find what is successful for you and just keep trying to learn, be curious and try to learn because that's going to take you places you want to go.

Andrew

17:40

I think that's very well said, What's your favorite part about going on this journey of learning how to be an investor?

Dave

17:47

That's a good question other than meeting you, I think for me, it's a bottomless pit of curiosity. And there is no matter how much I learn, there's always something new to learn every single day. And I think that to me is what makes it so exciting.

Because like I said, there's a million different viewpoints of different things that you can learn. And every time you pick up a book, or watch a video or go on Twitter, to talk about finance, and any sort of medium like that, you're exposing yourself to other people's point of view. And you can learn so much from that. And I literally learn something new every single day because I find something that I didn't know before or I didn't maybe understand it the way I thought it was.

Or I go back and listen to a lecture from Professor the Motrin, and I learn something new from what he's teaching people. And so it's just that's what I like the most is the kind of bottomless pit of curiosity that can you know, because I'm curious, like a cat, and I want to know everything, and I can't, and I never will. And so it's just a never ending journey. There's not an end in sight. And that's exciting. To me. That is very

Andrew

18:55

exciting. And I mean, all right. Well, with that,

Dave

18:59

we will go ahead and wrap up our conversation today. I hope you enjoyed my ramblings and hopefully you took some inspiration from some of the ideas that we were talking about today. I guess the last thing that I'll leave you with is that everybody and anybody can do this, you just have to spend the time and have a bit of curiosity about this. But everybody has the intelligence and the wherewithal to do this, anybody can do it. You don't have to be the brightest person on Wall Street to be as successful investor.

And I would encourage everybody that if you've not taken the step to open a brokerage account, buy your first stock and do it today. Don't Stop Don't wait. Don't wait to you know more.

Or don't just dive in and buy one company spend 50 bucks and buy a share or partial share of one thing just to get your feet wet and get skin in the game and get over the initial jitters because once you get bitten by the stock market bug, you'll want to keep growing and learning and as we've talked about many, many times

this is the best way to grow your wealth is through the stock market so with that I will go ahead and wrap up our discussion for today you guys go out there and invest with a margin of safety emphasis on safety and we'll talk to you all next week.

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