The Basics of ETFs with Evan from My Money Marathon

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Dave

0:00

All right, folks, welcome to Investing for Beginners Podcast. Today we have a special guest today we have Evan from my money marathon. He is joining us to talk about ETF investing. So this is something we haven't covered a whole lot on. And Evan knows way more about ETFs than I do. And Andrew is not gonna be joining us tonight, he is actually getting ready to get married.

So Evan has been kind enough to kind of fill in for Andrew Andrew will be back. He's going to be on his honeymoon as well as getting married next week. And so we got a lot going on. So Evan was kind enough to fill in for Andrew. So, Evan, thank you for coming back to the show. We are excited to talk today. So say hi to everybody. And then we can chat.

Evan

0:40

Hey, how's it going? Everyone? Thank you so much for having me back. It was awesome. Last time. It was great to chat with you guys. And I'm excited to do it again.

Dave

0:47

Yeah, we are to Awesome. Awesome. All right, well, let's start talking about ETFs. So this is something that Andrew and I haven't covered a whole lot. We're more stock pickers. And so I think this would be a really good conversation for a lot of people out there that are maybe not as familiar with ETFs. And feel like this is

a good way for them to go. And so we want to kind of try to provide as much guidance as we can for different kinds of investing. And so I guess we'll start off with explaining what is an ETF? Like? How are they structured? What is an ETF? Like? What does the acronym stand for? And what are they?

Evan

1:21

Yeah, so an ETF stands for an exchange traded fund, which sounds extremely fancy and complicated, but it's definitely not. So to start a fund is essentially just an amalgamation of individual stocks. So instead of going out and buying Apple individually, and Microsoft individually, for example, you would buy both of those in a single fund, or you would buy dozens of stocks, or hundreds or 1000s of stocks at one time in a single stock. And that is a fun. And the fact that it's an exchange traded fund solely means that you can purchase and trade buy and sell that fund on the New York Stock Exchange, for example, which is the main exchange in the US.

So you can just trade it as you would an individual stock, and you're getting those 1000s and hundreds of companies at the same time. So say for example, Microsoft makes up 1% of a fund, and you purchase one share of that fund, then 1% of the money you put into that fund is going into Microsoft, so you still have direct ownership of all of the underlying stocks, but you're doing it through one overall fund.

Dave

2:22

Okay. All right. So I've heard that a lot of people throw out the term index funds. So what is the difference between an index fund and an ETF?

Evan

2:29

Yeah, so an index fund is, of course, a type of ETF. The main point of an index fund is to track some sort of index. So index in the stock market is a group of stocks that is meant to track the overall market. So for example, if you have an index fund, that is meant to track the index, the s&p 500, which is the most common well known, overall agreed as the most accurate of tracking the overall market, if you purchase an index fund that tracks the s&p 500, then you're getting all of the stocks that make up the s&p 500 in a single fund, so through a single stock.

Dave

3:08

Okay, so let me ask the dumb question. Can you buy an ETF that tracks an index?

Evan

3:14

Yes, yes, you can, for example, the one that that I love, not that they're necessarily that different, but the one that I personally invest in is VLL. tracks, the s&p 500 has low expense ratio, and we'll talk about all that sort of stuff. But that one tracks the s&p 500 index, specifically.

Dave

3:31

Alright, so how does one go about deciding what are good ETS? Like? What are some of the things that you can? Like? How can you, for lack of a better word, analyze and ETF to find like, what are the good things to look for? What are the things you should look for that you should want to avoid? I guess.

Evan

3:48

So the first thing I'd say look for is what is your overall goal with purchasing this fund. So for example, if your overall goal is just to diversify your portfolio to invest in many different stocks, so that a single stock shooting up or down isn't going to drastically fluctuate or affect your overall portfolio. If your goal is diversification, then you may want to invest in a fund like Vito that invests in hundreds or 1000s of underlying stocks, because for example, the largest stock that makes up the s&p 500 is Apple, and I believe it's around like seven or so percent of the s&p 500 currently.

So even if Apple went bankrupt tomorrow, absolutely zero, that would only drop that stock by 7%. So horrible worst case scenario, it's still not going to drop that drastically. So if you're looking for diversification, that can be a great thing to look for. You can also choose your stock based on things that you're interested in. So for example, if you're interested in green energy or electric vehicles, or oil and gas, whatever you might be interested in, you can find a fund that will track that sort of asset class that overall asset class and you can get exposed to those sorts of stocks easily leave without picking individual stocks that way.

So depending on what your goal might be, or high dividends, it'll invest a fund might focus on investing in a bunch of stocks that have very high dividend returns. And you can just invest in one single fund and get higher dividends than you may otherwise. Another huge factor to look for it's very important in a fund is the

expense ratio, which is essentially just the fees that you pay annually to own that fund. Because a fund has to be managed by somebody, they have to whether they do it through computers through an automated sequence, or whether they're manually picking stocks in and out of the fund, some expense has to be used to manage the fund and have stocks go in and out of it, and balance it over time.

And so you have to pay for those management fees through an expense ratio. Usually, you want to look for an expense ratio very, very low. So we're talking as low as point zero 3%. So point zero 3%. Yeah, see extremely low, thank goodness. So point zero 3% of however much value you own, of that stock, is how much you'll pay. So if you owned $100, you would only be paying what three cents, to own that stock. Okay, so that makes a lot of sense. Yeah. So there will be some funds that have higher expense ratios, because they may require a lot more management. And so the last thing I'd say to look for would be historical performance.

So look back, see how it's performed, preferably over decades, or even a century, for example, you can look back and see how the s&p 500 has performed for over 150 years now, I think 353 years. So you can see historical performance very easily. If a fund has only been around for a year or two, and you can't really see that far back, then you may want to at least give it a few years and see how it flushes out how it handles the supply chain issues that we're having possible future recession, all that sort of stuff. And you don't want to take too much of a bet on unnecessarily. Right.

Dave

6:50

So how would you? Like where would you go to investigate a particular ETF? And what are you looking for? Like a composition wise? Like if you're looking at the VO one that you mentioned earlier? Like who sells that? And how do you find out information about that? And what kind of information would you look for, like what's under the hood kind of thing.

Evan

7:17

So VO, for example, to follow with that thread is owned by Vanguard, which is a very large investment firm that I'm sure a lot of people have heard of. But the main place that you would go to look it up would be just Google or Yahoo Finance is a great place to look it up. And you can find pretty much all the info that you need to know about it. If you want, you can also go directly to the investment firms website.

So in this case, you could go directly to Vanguards website, and they'll tell you passes Rock Performance, all the assets that make it up all the stocks that make it up all the ratios, the goal of the ETF as a whole, you find out pretty much everything that you need to know about it. And that'll also give you a good idea, like you're mentioning the composition of the ETF. So for example, nowadays, tech stocks tend to have extremely large market caps. So for funds that are weighted by market cap, meaning the larger the market cap, the blue, the more of the fund that it makes up the larger weight that gets in that fund. Since so many funds are so weighted towards tech stocks right now, you may be worried about the volatility of tech stocks, or you may be worried about the future of tech stocks, and you may not want to be too exposed to them.

So you may want to look for a fund that has assets more evenly distributed, possibly not weighted by market cap, or more focused towards some other asset classes other than information technology and overall tech stocks. But you could find pretty much all the information you need just for free on Yahoo Finance, Google Finance, or whoever that investment firms website is.

Dave

8:42

Right. Okay. So it sounds like you can a little bit like the world's your oyster, like if you want to build a portfolio with ETFs in a wide range of different kinds of either asset classes or industries, or even probably I'm guessing, even globally, you could probably build something like that. I remember reading somebody that I follow they had, I think it was eight to 10 Different ETFs. And they basically had it structured like they had a large cap. And then they had mid cap and a value and they had small cap and they had some emerging markets and they had some developed markets.

And so they kind of had this mixture of things from all over the world. So they can try to kind of capture all that without having the stress of of having to try to pick an individual stock in Indonesia and India and somewhere in Asia and South America, for example. They could just use those ETFs to try to capture some of the best of of those different places. Is that kind of an accurate statement?

Evan

9:42

Yeah, yeah, no, absolutely. It's kind of interesting how usually when we think of diversification, like how I talked about earlier, you're just diversifying through individual stocks, but like you just pointed out you can diversify with funds in and of themselves so that if you're worried about maybe the future of South America, you don't want to be invested in a fund that focuses just on South America. But you also want to try and take advantage of future gains that they may or may not have.

But be diversified. You also have a fund in other countries and of course in the US and everything, so you can diversify with the funds me personally, that what I tend to recommend at my money marathon, is just focusing on the s&p 500. Of course, that's not you know, what everybody has to do by any means. But just looking back at historical performance and ease of use, and ease of investing, you're going to get the best performance. Again, historically, over the 150 years that we have to analyze the returns from the s&p 500. And just being able to invest in a single fund and be done with it, you know, there's several funds that track the s&p 500.

So whichever one you choose, you can just invest in one fund and be totally done with it. But the fun thing about ETFs is, like you were saying without having to pick individual stocks, for example, me I am someone that's very into electric vehicles, I definitely believe in the future of them, I believe in the current state of them, even if they're not perfect by any means they're still in a really good place. And I definitely believe in them. And being able to focus on electric vehicles, if I wanted to with a single fund, without having to face the massive volatility of Tesla, for example, or the how far down lucid is currently I can invest in all those and several dozens more electric vehicle stocks at one time just through a single fund. But you can do a nice amount of diversification with funds as well.

Dave

11:28

I think I like that idea. And I think one of the things that's kind of interesting about that idea is that you can dip your toes for example, into, for example, electric vehicles, if you really are interested in the space, but you're not sure which company you want to try to invest in, you could use something like an ETF to try to dip your toes into the sector, and maybe only have 1% of your portfolio allocated to that particular position. So it's not like you're making a full, full on bet on just Tesla or any of the companies in China, for example. But you're also kind of investing in the potential of that industry.

And you'll benefit from those companies continuing to perform and do well over time. Because I agree, I think, I think over time, there's no question that that's going to become a thing, it's already becoming a thing, but it's going to be even more of a bigger thing as time goes on. So I think that's really interesting. So we've talked about kind of the structure of the ETFs, and maybe kind of what's in them and under the hood, what are some of the benefits of investing in ETFs, using that as kind of a way to generate passive income.

Evan

12:37

So the first one start off with is more certainty in your expected returns. And by certainty, I do not mean in any way a guaranteed return, nothing on the stock market is ever going to be a guaranteed return. But but at least you have a very long historical performance to reference, it's gone through depressions, it's gone through recessions and wars. And now it's gone through the pandemic, you have a huge history of horrible catastrophes that have occurred, both World Wars, everything that's happened, that it has still maintained its average return of around 10%, over those 150 years, that at least can give a lot more peace of mind.

Because I know that for a lot of people, one of the huge barriers to invest in the stock market is fear of just losing all your money that it could just disappear one day. And you can sleep a lot better at night, being able to reference the historic performance and knowing okay, if it could survive the great threat, if it could survive World War Two, I'm not too afraid that having a president that I'm afraid about or something like that, that that's not going to tank my entire portfolio. In the short term.

Of course, you never know what's going to happen. But the thing is, in the past, we've had 30% drops out of nowhere. But then over the next 1020 years, you're getting back those 10% returns again, like it all ends up averaging out over the long run. Second point would be lower time commitment. Because again, another thing that people are afraid of when they start investing is I don't want to be spending two hours a day tracking stock data keeping up with the news.

And I need to be beating other investors to the punch to take advantage of opportunities, all that sort of stuff. When you go into an ETF, you're passing off all of the legwork to the management company. So if you invest in Viola, you're passing off all of that legwork to balance your portfolio to Vanguard. It's now their job to balance it and make sure it's allocated properly. Make sure it's the proper goals and make sure the proper stocks are in there.

That's all out of your hands. And so you have no more time commitment than spending maybe one hour a month or one hour a paycheck or even less than three minutes a paycheck, investing putting your money in that fund or if you have automatic deposit setup like I absolutely always talk about constantly at my money marathon is automating that sequence. So if you have it automated, I spend absolutely zero time worrying about that every single month. Just tracking performance periodically open, open the app, open the website and check and see how it's going, but I don't have to spend any time dealing with it or trading or managing it.

And the last point would be lower fees and taxes. So a thing that people don't think about a lot is every time you trade and realize your gains, you're going to be taxed on those gains. So in the short term, if you're trading constantly for day trading, you're going to be constantly getting taxed on all those returns. And

sometimes, if you have commission trading, though, that's definitely going away. Nowadays, if you still have commissions on your trades, then you're gonna be paying commissions on every single one of those buys and sells that you do every single one of those transactions. And the other thing is capital gains rates on taxes.

So there's a quite substantial difference between short term and long term capital gains taxes. And a quick summary on that is just simply, if you were holding a an asset for less than one year, before you knew sold it, and you realized your gains or losses on it, then you're going to pay taxes from 10 to I believe it's 37% on those returns, depending on what your tax bracket is. Whereas if you sold them after one year of holding it, then your taxes go between zero and 20%. So at minimum, you're saving 10% on taxes at most, you're saving 17% on taxes. And I can easily wipe out most of if not all of your returns, or even more than the returns that you gain through that investment, just in taxes. So if you're investing in ETFs, and you're planning to hold them for the indefinite future, until you retire, just need to access them in the far future, then you're going to be saving a lot on taxes instead of constantly trading stocks in the short term.

Dave

16:34

Yeah, those are great points. So what kinds of vehicles? Can you trade the ETFs? In? Are they the same as individual stocks?

Evan

16:41

What do you mean by vehicles?

Dave

16:43

Oh, well, I guess, can you buy and sell them in a Roth traditional IRA, a 401? K, for example. My understanding is you can do all the same, that you can okay

Evan

16:51

until stocks. Gotcha, gotcha. Sorry. I understand. Yeah, yeah, you can trade them on pretty much any of the places that you would trade individual stocks, the one slight caveat, like you just brought up would be a

401k. Many 401k is including mine are very restrictive as to what you can invest in. So in my 401k, I can't invest in individual stocks, and I only have a choice of three funds that aren't target funds of some kind.

So I'm really locked into my options on a 401k. But anything else Roth IRA, traditional taxable brokerage account, high yield savings account, and my less to let you invest all those sorts of accounts, and you can invest in a fund just the same way as you could have stock.

Dave

17:30

Alright, what are the risks of investing in ETFs? There is always downside. So what are the potential downside?

Evan

17:37

Yeah, there will always be downsides. So the first one, and the most important, and I think the one that people would probably worry about the most is that you're missing out on potential returns usually. So for example, you could invest in a stock and it could shoot up by 50%, the next day, that could that happens all the time, constantly, usually with lower market cap stocks, but still, it happens constantly, nearly every day. And by investing in a fund, you're missing out on that opportunity.

Because like I mentioned before, even if Apple went to zero, the next day, your portfolio, if you were only invested in that that index fund would only drop by 7%. And same if Apple doubled in price the next day, it would only go up by 7%. So you're really you have it, you have a pretty hard ceiling, on the returns that you're gonna get from an overall fund because no one stock can influence it too greatly.

But if you're investing in individual stocks, the sky is the limit. Also the bottom of the sea is it's a limit on the other side, right, but the sky is the limit on the returns that you could get. So if you think that you can make better picks than other people, if you think you can make moves more quickly than other people see things ahead of time a little bit or analyze stocks in more proficiently than other people can, then the sky's the limit on your potential future returns. And the other downside that I would mention is a greater lack of control. We've mentioned that we can tweak the fun to focus on what you're interested in and what you believe in for the future to perform the best. But you're never going to be able to tweak it all the way down to an individual stock level. If you really believe that that Apple is producing the best product out there, or that the next

iPhone is going to be the best phone by far, and their stocks gonna shoot up because of that, you can only take so much advantage of that in a fund.

So but if you're investing in individual stocks, then you have that sort of control to invest in what exactly you want to invest in. Plus many funds like the s&p 500 may contain stocks that have brands that you don't agree with. For example, if you're very for electric vehicles, you may be very against the oil industry and the gas industry as a whole. But if you're investing in the s&p 500, you don't really have the opportunity to tweak that all the way down as much if you still want to take advantage of all the other assets that the s&p 500 as you're gonna have to kind of take that along with it.

Dave

19:59

That's a Great point and something that I have heard some people talk about when they're talking about ETFs. If you one of the another, I guess not danger, but one of the over, you could over, diversify or over allocate money to, if you buy certain ETFs. And all of them will have a lot of them, we'll have Microsoft, Google Tesla, Nvidia, you know, all the five or six, seven biggest market caps will dominate a lot of ETFs. And if you buy three or four ETFs, it's really important to know what's in those ETFs. Because otherwise, now, instead of only having maybe 7%, exposure to Apple, for example, you inadvertently may have 28 to 50%. Oil, you know, in Apple, and, to your point, if it goes down, you know, it could really affect your returns. Likewise, if it goes up, you could also benefit your returns.

But if people are trying to, I guess, steer away from certain things, or maybe minimize their exposure to certain things, it's really important to know what's under the hood of the ETF you're investing in, you know, to your point, there has been, I won't, we won't go into a lot of this, but it's some ESG funds have been accused of not really being ESG, because they've included things like you were mentioning oil companies in their funds. And that just goes to, you know, part of doing our own due diligence is we have to know what we're buying. And we have to understand that if you don't like oil companies and you buy an ETF, there's a real good chance that Chevron and Exxon are going to be in that ETF, because they're in the top 10, I think it's still in the market cap.

And so if they are, even if they're in the top 15, they're gonna have an impact on the returns for that ETF. And so you just want to be aware of that and decide how much exposure you want to have to those things. So that's that's an important, I guess, it's not necessarily a risk, but it is kind of a risk to consider.

Evan

21:55

Yeah, I do want to kind of emphasize that a little bit that it's easy to get lost in these funds and real and forget that you are investing in real companies here, because it's easy enough to do that on the stock market as a whole who just kind of see it as a video game you're playing to try and make some virtual money is what it feels like. But it's even easier to lose that when you're investing in a fund because you just see V O ticker, for example VTi ticker and you just see vos performance each day.

But in reality, when you put money in there, you are investing in sort of giving money to Apple or giving it to Microsoft or Chevron, you're giving that money directly to the company, even if there's one more middleman in between there, but you are still contributing to that company. So it's a very real monetary transaction that's occurring and you are helping that company in one way or another. Yeah, exactly. All right,

Dave

22:44

let's move beyond maybe the like the benefits and risks. Like if I wanted to start building a portfolio with ETs, how do I do it.

Evan

22:55

So the very first step, just like if you're gonna invest in any stock on the stock market is to open up a brokerage. So do some research about what brokerage you that fits your needs the most. If you want a brokerage, it's extremely simple, you may want one that's like Robin Hood, or fidelity, it doesn't offer a ton of data behind it. But it makes it very easy to perform transactions and set up future automated transactions and such.

Or if you really want to dive into the data and see all the performance track trends and try and predict future trends and such, then you could use TD Ameritrade and their Thinkorswim platform. So just do a little bit of light research, they're all going to get you to the same point more or less, but they're gonna have a different feature sets are gonna make it easier or more difficult to do certain things. So do a little bit of research on a brokerage, once you've chosen chosen a brokerage, it takes no more time than five minutes to sign up for it, just give it some personal info, and link a bank account to it. And you're pretty much set and you can start a deposit into there. Then once you have that deposit settled in there, then which can just take two or three days maybe to settle into the account.

Once that settled in there, you're completely let loose to be able to invest that money in what you want to invest in. So it would be as simple as just going on to brokerage, searching bol VTi, whatever fund or stock that you're interested investing in, give it that ticker, tell it how much of that stock, you want to purchase, how many shares of that stock you want to purchase. And after that transaction settles, you're going to be completely free and clear. And you now own some of that stock or some of that index fund. And I would definitely recommend that if you want to invest in that in the long term. While you're there, set up recurring automatic investments into it, because it's far too easy to open up an account, throw five bucks in there and then that five bucks stays in there indefinitely and you completely forget about it.

Right. So it's to me, it's very, very important to set up those automatic recurring investments so you don't have to remember so you never forget about it or you never skip out on one month. Or decide I'd rather put that money into shoes or a new gadget or something that money's going straight out of your bank account like just like a normal expense, just like rent, whether you want it to or not. But at that point, you're totally free and clear and you own it.

Dave

25:06

So I guess a common theme in a stock picking investing is a well diversified portfolio is anywhere from 10 to 20. Stocks, depending on who you talk to. It could be more or less than that. It just really comes down to investor with ETFs, I'm envisioning less. So you could literally probably buy one and be well, well on your way to where you need to go. So how, like, depending on what you're like, how do you determine what are your goals? And what, how much? Like, how much investing?

Do you really need to do like with ETFs? Do you need to be constantly paying attention? Or is it just pick two or three things and kind of not set it and forget it, but kind of set it and forget it? And move on what I guess what are your thoughts on any of that?

Evan

25:51

Yeah, so my thoughts would definitely be the more so that quote unquote, set it and forget it method here. Because when you invest in most funds, you're going to be getting at least hundreds of stocks, if not 1000s of stocks at one time. Now, the caveat to that is like you mentioned, they're weighted by market cap.

So Apple takes up very large now, but Microsoft, Chevron, all those companies take up a large percentage of the funds. But even at that point, if we look at the largest stock in the s&p 500, Apple takes up 7%, that still doesn't take up any more of your portfolio than a well diversified portfolio would. Because like you mentioned 10 to 12 stocks to have a well diversified portfolio, that would mean that each individual stock is taking up no more than 10% of your portfolio. So if you just stuck with one index fund to purchase the s&p 500, Apple still hasn't passed that threshold of taking up too much being overly overly contributing to that stock in your portfolio.

And then everything below that, of course, you have hundreds of hundreds of more stocks that are further diversifying it there. And, in my opinion, if you're investing in more than three funds or so even more than two funds, you're sort of diluting all of the other stocks that make up the lower portions of those funds. You're not really diluting yourself away from the apples, the Microsoft because they make up such a large chunk of the funds. But all of the other like the other two 200 to 500 stocks that make up those funds of lower 300 stocks, those are just completely obliterated in terms of the effect that they're going to have on your portfolio.

So I would personally recommend sticking with just one stock. One Fund that is because then all of those individual stocks that make up those funds can actually have some sort of an impact on your portfolio because we don't want to be exposed to too much risk. But we want to be exposed to enough risk that we can burn returns here. Otherwise, we're just diluting it to the point that stocks are constantly shooting up and shooting down and everything's just balancing out and you're never getting anything from it. Right. Yeah,

Dave

27:56

exactly. One of the I think one of the popular misconceptions out there in the investing world is a lot of people think that you have to be one or the other. And there's a bit of macho wisdom, if you will about stock pickers. And I hate that. And I think a lot of people don't realize that you can buy ETFs, and you can also buy individual stocks, and vice versa, you can be an individual stock picker, and buy an ETF to balance out something you haven't been able to fill in your individual stocks, you can easily mix and match if you want to. And there's nothing wrong with doing that. And there's lots of successful investors that do that kind of thing.

Evan

28:38

That is a very, very good point, you can use index funds or funds as a whole, you can use funds as a tool in your portfolio for diversification that doesn't just have to that as your one sole method of investing. And that's how you get well diversified. There was quite a while when I was into stock picking sort of not

constantly day trading, but still trying to make my own individual stock picks, where I was using index funds to make up about 50 60% or so of my portfolio so that the majority of my portfolio was well diversified and more or less stable.

And then the other percent I was able to play with I still wasn't making very risky pics, but it allowed me to know that, okay, if I make a bad pic here, my a quarter of my portfolio isn't gonna go to zero, that's not going to happen, because I have so much stability behind me. So you can definitely use it as a tool to, again give you more peace of mind all of the benefits of funds just kind of scaled down a little bit. You get that peace of mind, but also in the freedom to make your own decisions.

Have fun with it. A lot of people absolutely enjoy picking stocks. It's a fun hobby to try to analyze and try and make decisions about these behemoths companies that make up hundreds of millions of dollars. It's fun to try and make those predictions. So if you enjoy it as a hobby or just trying to do a little bit of stock picking on the side, funds as a whole can be a great way to diversify and provide a little bit of backbone on to your portfolio.

Dave

30:01

Yeah, exactly. And that's actually what I've done for my daughter. I have a, I have a retirement or a fund, I guess a college fund, if you will, that I started for my daughter, she's 10. And so I bought an s&p 500. I bought veal for her, and as kind of the backbone, and then I talked to her about things that she wanted to buy. So she, of course, chose Roblox and Spotify and Disney and what was the fourth one? Shoot, I'm blanking on the fourth one, but the picker? Oh, yeah. So that's why that's why I went with the s&p 500. Because, you know, some of those companies, you know, a couple of them will probably do very, very, very well.

But the some of the other ones is, you know, it's it's too early to know. And so I figured that by having the ETF that kind of balances out, it's about 50% of our portfolio right now. And I just figure that that helps balance out the riskier picks, but it also starts the conversation with her about, you know, these are companies they aren't just, you know, toys that she plays with her things that she watches on TV, these are actual companies and it kind of helps spur but it also makes her interesting because she, she loves her Roblox and so, you know, she asked now, she literally asked me today, how to Roblox do in this quarter dad? Yeah, yeah, I don't know. I gotta look it up.

So she's starting to be aware. So it's kind of cool. But I think it's important for people to know that they can kind of mix and match and do like your point earlier, if they want to dabble with stocks, and you know, do it on the side, because they enjoy it. But maybe they know that the returns are really going to come from the ETFs, then you know, that's great. There's nothing wrong with that. And you never know, you know, somebody may hit a big with with one of the companies that they're dabbling with, you know, we're always all looking for the next Amazon, right? So yeah. Who's knows if we can ever find it?

Evan

31:50

Yeah, no, that's absolutely awesome. Yeah, that, especially for beginners, ETFs are a great way to go. Even if in the long term you want to get into stock picking, it can be great to initially just dip your toe in index funds get, get experienced, purchasing stocks upfront may be setting up automatic investments, making your way around a brokerage, all that sort of stuff, get used to it with index funds, where you're not risking too much more or less. And then over time, start introducing more and more individual stocks.

And if you eventually want to phase out the funds, once you feel totally comfortable, and you're you rely on your skills, and you expect to get solid returns from individual stock picks, then there's there's nothing wrong with that there's nothing locking you in forever. Like I mentioned, I would recommend at least making sure that you've held that asset for more than a year to try and minimize the taxes that you pay on it. But past that totally up to you to sell it whenever you want to and then start trading around and making your own decisions.

Dave

32:46

Right. So how does somebody track their performance for any Is it the same as a stock as a stock pic?

Evan

32:52

Yeah, absolutely exactly the same in your brokerage, it'll usually just organize it by ticker by company. So you can see your overall target performance, your total gain loss is what they call it. So just how much you've gained or how much you've lost in percents or dollar amounts. And it'll show up just the same. So I can see target overall gain 5% and VLF, overall gain 5%, you could see it absolutely just the same. And you could also always go into that individual ticker, and see this stock chart over time of its performance. And you can kind of correlate that to the real world.

And you can definitely see the dip that occurred during COVID. And then the recovery and then the subsequent dip again, once supply chain issues started hitting everybody a little harder. And you can you can see that performance and how it's affected over time. And that's, that's also something that I sort of enjoy about an index fund, like Viola for the s&p 500 is that it's more greatly affected by the state of the US, I guess you'd say, because a company like Apple, for example, may not be affected, of course, they have been but by COVID, because everybody has been affected by COVID.

But there may be some sort of a US overall event that doesn't touch apple, and they're not affected. But vo o you're going to see that. And also, if there's a surge in the US overall, that maybe doesn't affect consumer electronics, Apple may not get touched, but you're going to see that in one way or another. In VLC, you can go back track the performance and kind of see how the overall world events and people's outlook because that's what it really is, is whether people are fearful or greedy at that time, whether they're positive or negative on the outlook of the US as a whole. You'll be able to kind of see that correlation between them.

Dave

34:28

Yeah, so that's a great point. How much do you check your portfolio? And how much do you recommend somebody check their portfolio?

Evan

34:35

I would say that I probably check it once a week or so. And by check it I literally mean open the app, see what it says and then it's instantly close it. This isn't diving into it and saying oh well why is it that return are seeing that history because again, there's when you own a fund, there could be an infinite number of factors that affect it. One company that makes up 3% Know the portfolio could have had a really bad day, and you don't know about it. And that caused a noticeable dip in the fund overall, there could just be so many factors behind it. So I don't dive into it too much.

But probably once a week, I'll just take a glance at it, see where I'm at, I would say that's a reasonable time period to check your portfolio, I would say you could also lengthen it out even more if you want it every two, four weeks, or once a month would be totally realistic. Because with a fund, at least with most funds that own hundreds or 1000s of stocks, you don't want to be trading them constantly, there's too many underlying

factors, you're not going to really be predicting anything there. When you're purchasing an individual stock or trading individual stock, you can make better predictions on how that how the outlook of that company is.

But when you have 100 companies behind the fund, you're not going to be able to analyze every single one of those companies and correlate and say, Oh, they all look like they're about to do well, or they all look like they're about to do poorly. That's not a reasonable prediction to make. Not to mention, of course, paying taxes on every time you do those trades. But so just checking it often enough that you know what's going on that you can see that okay, everything's significantly down. And that may be a time to contribute even a little bit more to take advantage of the lower stock prices, assuming you still believe in the future of the US, of course, right. Or, if you see that it's up, you just get a little bit of a boost, realizing, okay, this money that I'm putting in here is it's going to turn into something and I'm going to actually be making something from it. So just often enough to kind of have a ballpark idea. But the danger is really checking too often.

Because that will make you easily that will emotionally tie you to the performance of your portfolio. Essentially, when you see that it's up, you get excited and you want to put more in, even though that's exactly when you definitely don't want to be putting more in because all the prices are surging, and you're just going along with everybody else's excitement. Or when it's down, you're gonna get afraid and think why do I do this, maybe you're gonna want to cancel your future recurring investments, that sort of stuff, you definitely want to stay with away from checking it too often.

So I would say no more often than a week would be a safe place to be, you don't want to be checking those, that short term performance because what you're really looking with with just about any stock, like value investing like even Android absolutely into or investing in a fund, you don't want to be checking too often, because you're looking for one 510 20 year performance, you're looking at the very long term outlook. And so who cares what the performance is today, that doesn't matter to you? That's not gonna affect anything.

Dave

37:31

I'm weird. I don't remember the last time I checked it. It might have been last week. I'm not sure I don't know. But I go through spurts. And I look at it like, I'm a big baseball nerd. Everybody that listens to the show knows I love baseball. And to me, it's like looking up the box scores for what happened the day before.

And so I look at the stock market and go oh, okay, Juan Soto was over for again, ding, or, you know, something like that. So that's kind of my mindset, because I, you know, when I look at the companies that I own, for the most part, unless there's something practically going on, I'm not really going to do anything with

them. I may buy more, but I very rarely will I sell I haven't even sold Intel yet. And that's been a dialogue for the last year plus, so probably asked my sanity about why I'm still holding that.

But that's a whole other conversation. But I think, you know, at this point, I think for me, it's, I just check it because I want to see how it's doing. It doesn't affect me mentally either way. But I know not everybody's like that. And I'm not saying I'm better than anybody else far from it. But it's just I know that everybody has to you know, they have to do what's going to be best for them.

Evan

38:36

Yeah, I know that in the beginning, the first stock I invested in was AMC. And that's pretty much all you need to know. Everything just went absolutely downhill. And so I definitely got in a phase of checking it multiple times a day. Absolutely. Because it was fluctuating so often, and there was so much question about the future of it. Oh, yeah, I was checking it constantly. And I mean, that didn't do anything for me. I definitely fell into FOMO a couple times, they're seeing a ramp up. And it's like, well, dang, I want to be along with that. And then you buy in and then it dips right back down.

And you're right. It's, I've been there I've done that in getting emotionally tied into it. And then pretty much once AMC was down at like seven bucks or something, and I got out of there and cut my losses. past that. I've realized that that is just that's not for me being in a situation where I need to check it so often. It was definitely a source of stress. I didn't have any massive amount of money in it, but still having pretty much any amount of money and know that your return would be would be decent for your life. That's that's too much money to just be thrown around there and constantly checking.

Dave

39:44

Yeah, yeah, exactly. All right, Evan, well, this has been a lot of fun. And I know I've learned a lot and I know our listeners will have learned a lot and I thank you for your time. So where can people go to learn more about you and what you got going on? And maybe if they had any questions about anything we talked about How'd they can reach out to you to learn more about what you're doing and you could kind of help guide other investors. So where can people find you online?

Evan

40:07

Yeah, absolutely. So the primary place would be my blog online at my money marathon.com That will be the primary place, you could learn more about the topics that I'm interested in, and the topics that I have knowledge on inside. And I've definitely covered a lot about automating investing, passive investing ETFs, that sort of stuff, because that's really, that's my bread and butter.

And that's also what I genuinely believe, and most people taking advantage of, instead of overall, in general stock picking because so many people don't invest at all because they're afraid of stock picking, when in reality is there's this other option out there that a lot of people don't consider. So that'd be the primary place. The other two places would be on Twitter and Instagram, on Twitter, my handle is money marathoner, and then on Instagram, it's underscore my money marathon.

And on either of those places, if you just DM me, I would absolutely get in touch with you right away. If you had any questions, if you wanted to just learn more about my brand, and what I stand for, and all that sort of stuff, either of those would be a great place to do it. And I'm also posting a lot of content on both of them. Twitter is, as always, like a little bit more unfiltered of what my views are, like you were just talking about earlier, the macho side of stock picking.

Obviously, not every stock pickers like that. But there are a lot of people saying Why the heck aren't you generating 200% returns? Why aren't you spending five hours a day stock picking, and that sort of stuff pays me off a lot. So if you want those unfiltered point of views, Twitter is a great place to go, and Instagram, a lot more sort of infographics to teach your topic sort of as quickly as possible in an aesthetic way. So depending on what kind of content you're more interested in Twitter, Instagram, and get a hold of me either way, or there's also a contact form on the website. So any of those three places would work perfectly,

Dave

41:46

awesome, awesome. And I'm gonna put all the links to all those places in the show notes. So if anybody is listening in their car, and they're like, hey, I really liked what he had been saying. Later, you can look on your podcast app or on our website, and you'll be able to find the links to go check out what he's doing. So I recommend it. It's great stuff. We really like Evan a lot. And we've actually invited him to contribute to our blog from time to time as well. So he does some he dropped some great stuff for us as well. So great resource, especially if you want to learn more about ETFs as Andrew and I are not experts by any stretch.

So thank you, Evan, for joining us tonight. I appreciate it. And again, Andrew will be back next week. We're actually recording this off schedule, but Andrew will be back very soon. So thank you guys for listening.

Enjoy. Have a great week and everybody go out there and invest with a margin of safety emphasis on the safety. Have a great week, and we'll talk to you all next week.

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