Investing Basics with Jeremy Schneider of Personal Finance Club - The Secret to Building Wealth

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

Dave [00:00:00]:

All right, folks, welcome to Investing for Beginners Podcast.

Dave [00:00:04]:

Today, we have a very special guest. With us today. We have Jeremy Schneider. He is joining us from the Personal finance club, and he's here to talk to us about all kinds of fun stuff. We're going to talk about some personal finance, we're going to talk about some investing, maybe even throw a Halloween spending or two clip. But Jeremy has been doing this since 2018 and he's got a fun backstory. So maybe we could start with that. Jeremy, if you could kind of tell everybody maybe how you got here.

Dave [00:00:29]:

Why personal finance? Why do you think it's important? Why did you start what you started?

Jeremy [00:00:33]:

Yeah. Hi, guys. Thanks. My story kind of starts in college. I turned down a job offer from Microsoft and kind of forewint the traditional climb up the corporate ladder career path and instead started an Internet company. Had no idea what I was doing. I literally Googled how to start company and was losing money. For a couple of years, I was living on credit cards just to pay for the most meager of groceries and things like that.

Jeremy [00:00:58]:

Racked up about $12,000 of credit card debt. But then the business started making money. I was able to pay off my credit card debt. I grew it for about twelve years, and then at the age of 34, I sold it for just over $5 million. My share, after taxes and my employees got some, was about $2 million. And so I kind of became wealthy overnight. And there was this period of time before the wire cleared my account and I could click refresh and see $2 million in there where I had about three months during this due diligence period where I was pretty, I thought it was highly likely that the deal would close. And so I knew I was likely to get this money, but didn't really want to become one of those stories where the garbage man wins a Lotto and then is a garbage man again three years later.

Jeremy [00:01:43]:

And so I started reading every book I could on personal finance and investing and started to see, like, all these books basically say the same stuff. But it's not a message that we hear very often in pop culture. You hear, spend more money, cars, loans, debt, buy bye bye, be materialistic. But the real way that people build wealth is spending less than you make investing early and often doing it over long periods of time. And so I eventually quit my job two years later, I took a year off of just being on vacation, what I thought you're supposed to do when I retired at 36. And then at 37, I started personal finance club because I just love it. I like helping my friends with it. The name was actually coined from friends that I would meet and have a beer with, and we'd, like, open up a Roth IRA together and teach them about how to choose investments.

Jeremy [00:02:34]:

And they jokingly called it Personal Finance Club when we were drinking beers and opening Roth IrAs. And now here we are. It's actually the name of my personal finance education brand.

Dave [00:02:43]:

That's an interesting backstory, and I don't know that I've ever heard anybody talk about drinking beer and opening Roth IRAs. That I think is a first for me. Ever.

Jeremy [00:02:53]:

After four or five, maybe you might want to slow down on clicking by, but more than zero just so you get the wheels moving.

Dave [00:03:03]:

So I guess what gave you the impetus to go from being retired to starting something like the personal finance Club? Was it after reading all those books, did you feel like there's still a void that needed to be filled to try to help people?

Jeremy [00:03:18]:

I think I've heard you guys say something similar, which is like, why aren't you just on a beach with a bunch of ETFs in your bank account? And that's what I did for a know, essentially, it wasn't just one beach, but I did what I thought you were supposed to do when you retired young. I traveled. I played beach volleyball. I actually coached beach volleyball in, know, Australia. I played video games. I just was on vacation for a year. And right when I sold my company, it was exciting. Money came in.

Jeremy [00:03:44]:

I was very interesting. I was going to events, and I was like this interesting person for a moment. But then that memory kind of faded pretty quickly, and I realized that life continues. And I'd worked so long for that big exit to cross the finish line and raise my hands in victory. But then life kept ticking forward, and this year went by and I was like, what am I doing with my life? And you kind of lose purpose. There's no project I was working on. There's no tension in my life. And for like a week or two, that feels great.

Jeremy [00:04:18]:

But for a year and beyond, I think it starts to. Everyone's experience varies, but they say the reward for financial independence is an existential crisis. And I think that I kind of experienced that. And so I was like, all right. Someone, actually, a friend of mine at the time, asked me, what do you want to be when you grow up? What are you going to do with your life? And I said, I would love to teach personal finance. It's just what I love doing. I have a show or a podcast or whatever and so that's when we both decided that's not that crazy. I was like, yeah, that's not that crazy.

Jeremy [00:04:47]:

And so that's when I kind of started a personal finance club. I opened up an Instagram account and basically started posting every single day. Like, little bite size, fun fact personal finance infographics. And that's kind of still what I'm doing.

Dave [00:04:59]:

Yeah, those are really cool, too. Can we maybe touch on that for a second? Because I was looking at one of them yesterday and the cost of Halloween. So this was kind of fun. You got this great infographic, and you're talking about the different costs. There are 12.2 billion that we spend on Halloween to celebrate, but the one that I got a kick out of was the pet costumes. So 0.7 billion in pet costumes. What does that say about the United States?

Jeremy [00:05:28]:

Yeah, it's funny. Our infographics are all kind of centered around money, but this one was yesterday was Halloween. I think this recording is going to be a few weeks later. But we just like to draw attention to the ways people spend money. And real wealth, in my opinion, is built by spending below your means, living below your means, and investing. But it's not like a really sexy message, as isn't like diet and exercise, right? Everyone wants the diet pill. Everyone wants the quick fix, and it's the shiny object is really distracting. And so I think Halloween rolls around.

Jeremy [00:06:01]:

You have a cute pet, you want a cute Instagram photo. And so like, oh, what's $25 on a pet costume or $35? And then there's the house costumes, and there's the. Your costume and the candy and the costume for your kids decorations. And then you're like, oh, I spent $250 on Halloween, and then Thanksgiving is next, and then the birthday is next, and then the prize next. And just spending is just so easy. It's so fluid. We've got credit cards, doesn't hurt. You swipe, you tap.

Jeremy [00:06:29]:

But all that little stuff, that's so easy and not even a conscious decision often adds up and kind of is draining wealth from us.

Andrew [00:06:38]:

All right, so there is one person out there listening right now, staring at the pet costume from three weeks ago and saying, yep, Jeremy, you're right. I'm guilty. How do you help this person break out of that if they feel like that's something they want to stop doing?

Jeremy [00:06:52]:

So budgeting is the answer. I think a lot of personal finance gurus will say, like, oh, budget, and fits in your budget. But I live here on Planet Earth where I think 95% of people just are never going to budget. I do this with my life. I love it. For years and years, I did budget, but I just am like a spreadsheet guy. I'm a math guy, I'm a nerd guy. I'm a money guy.

Jeremy [00:07:12]:

Regular people here on Planet Earth don't budget. And so I say make kind of like an automatic budget where I think what most people do is they look at their checking account and they just see how much is in there and see how they're doing, if they're saving or drawing it down. And then based on that, they make these decisions, right? So if you look into a checking account and you see $12 and rents due next week, you're probably not buying pet costumes, right? But if you see a few thousand bucks, you're like, okay, whatever. And so what I would say is set up systems so that you can still live the way you want to live, but you're saving and investing first. So make sure if you have a job, that Officer 401K, set it up. Set up those automatic contributions. Set up a Roth IRA. Set up those automatic contributions into your Roth IRA.

Jeremy [00:07:56]:

Get a filed savings account for upcoming expenditures like houses, cars, weddings. Set up automatic contributions. And so when your paycheck comes in, you've got two or three or four automated savings and investing transfers that are happening automatically. And then with whatever's left, keep living your life. And then if you're like, okay, it's a little bit tighter, you might just naturally not be spending as much on pet costumes. And I think that's a good way to not dramatically feel like you're being naughty every moment when you're spending money, but setting up systems so you're going to be successful long term.

Andrew [00:08:31]:

So do you think as part of that, some people should put the credit cards away?

Jeremy [00:08:36]:

I'm not a big fan of credit cards. I think that it's just a game, and it's a game that the consumer loses. And credit card companies are so good at tempting with points. Just yesterday, actually, this is a true story. Yesterday, I bought a flight to Spain, and I have a credit card that had, like, 100,000 points. And I sat there for, like. And this is me. I literally am the founder of this thing called Personal Finance Club.

Jeremy [00:09:01]:

I talk about this every day of my life. I sat there for, like, an hour or two trying to figure out how to use these stupid points to buy this stupid flight, and I added a lot of points I knew I could afford, and they're like, oh, if you use the points, you get these perks and blah blah. And it was confusing and sketchy because it wasn't. You don't book through the airline, you book through the credit card thing. And there's all this imagery dancing through my head of these influencers on business class that they do it with credit cards. And I'm like, what am I getting wrong? And then I realized there's like a cash out button on these credit card points where you could cash out and just get the money. And then I was like, I'm just going to do that so much easier. I took the money, I went to AmericanAirlines.com, I clicked buy.

Jeremy [00:09:41]:

It was like 1000 times easier. But it just shows how susceptible even I, who I consider myself to be, a very robotic person, kind of on the spectrum of not as emotional as some people am, so taken by this idea that I should be playing this credit card game when I shouldn't. In fact, I probably spend more money on credit cards than I would otherwise if I was using a debit card or cash, because I'm subconsciously tempted. I hear this voice in the back of my head saying that all the time, well, at least I get the points. That's like me just rationalizing, spending more money. And the points are worth, what, 1% to 2% of your spending, but if you're spending 30% more, because at least I get the points, it's a dramatically terrible decision. And so know, like you said, there's someone out there being like, well, if you're going to spend the money anyway, you might as well use a credit card. Yeah, of course, that's technically true if you're going to spend the money anyway.

Jeremy [00:10:32]:

But I think you have to be very honest with yourself. Are you going to spend exactly the same amount of money as you would otherwise? And almost for everybody, the answer is no. I mean, I've read sites that say like some people spend 50% more money on credit cards than they would with cash or debit because it just feels like this game of monopoly money rather than your actual money from your bank account going away. So I use a credit card. Probably have less money for it. If you're someone who's struggling with it, I think it's perfectly reasonable to ditch the credit altogether and start spending cash.

Dave [00:11:00]:

Yeah, it's a lot easier way to go, and you don't have to worry about running into problems. When I was in the bank world, I had a customer that told me that they opened three credit cards to help boost their credit score. But they only used one of them and the other two, they put in a jug of water and put it in their freezer and froze it so that the only way that they could access it was they had to wait for it to thaw so they could use those cards. And that was their way of controlling their credit card spending. And I was like, that's not the silliest idea I've ever heard.

Jeremy [00:11:35]:

I mean, this very visceral imagery of locking your money away. But I agree as, hey, if it can save you a few thousand dollars a year, it's way worth it, right? So I respect people who are honest with themselves enough to put those sort of restrictions in place, rather than say, oh, I was going to spend the money anyway, might as well get the points. But you say that and then you look at six dog costumes behind you, like, were you really going to buy six dog costumes? Maybe you weren't going to spend the money anyway. If you're being real honest with yourself.

Dave [00:12:07]:

Maybe we could back up for just a second. You were kind of talking about systems and I guess for you, how does that work? Do you automate things as much as you can? Do you have different apps that maybe you use or platforms, banks that are better than others? What kinds of tools do you help with? Use with that?

Jeremy [00:12:26]:

Yeah, my situation is a little different because I think I'm more in the drawdown phase than the accumulation phase of wealth building. I don't know where I am. I'm not on a fixed income trying to live below my means right now. I think I have enough money invested to never have to work for the rest of my life. And so my general personal strategy now is just live relatively frugally. I think I could probably spend $100 to $150,000 a year and not burn through my nest egg with the safe withdrawal rate and how much the investments are growing, and I spend like 50 or 60,000 a year, and that's basically all I need to do. That said, I still have systems in place. Like, I have a 401 personal finance club that's kind of been gone from a passion project to a small business.

Jeremy [00:13:10]:

And we set up a 401K plan for me and my two employees, and so I max that out to the 22,500 allowable limit every year, and that happens automatically from my bank account. A lot of people think about systems and they think it has to be super complicated. But just your 401K is a great one, right? And there's a lot of 401K millionaires out there who set it up in their twenty s and then they wake up in their 50s or their sixty s and they got a couple of million bucks in there now. Nice. I talked to a friend of mine who is in her just around my age, just turned 40 and had a million bucks in her 401K. So I'm like, that's nice. And then, yeah, otherwise, I guess I don't currently have a lot of automated processes for myself just because I'm just kind of spending down rather than saving.

Andrew [00:13:48]:

How do you keep that frugal mentality when you've already crossed the finish line? I mean, the amount of things that you could desire, want to spend money on really becomes endless. It doesn't stop when you reach a million dollars or $10 million. So how do you keep that frugal mindset for yourself?

Jeremy [00:14:07]:

That's a hard question. And personal finance club. Whenever we make a post, at the bottom of every single post, we always say, reminding you to build wealth by following the two rules of personal finance club. Rule number one is live below your means. And rule number two is invest early and often. Of those two rules, investing early and often is actually a pretty simple matter. You can open up a brokerage account, set up some automatic investments. It takes maybe a few hours to learn and a few minutes to set up, and then you don't have to really do much for the rest of your life.

Jeremy [00:14:36]:

Living below your means is a daily challenge because every single day that credit card wants to get swiped. And like you said, it's hard to maintain that frugal mindset. And I don't know. The answer is hard for me because I don't know. Partially, I was born with it partially, I was raised with it, partially. I read a lot about it. I think one of my favorite books is the millionaire next door. That kind of just goes into how wealth iSn't spending.

Jeremy [00:15:04]:

I think in pop culture we see people buying fancy cars, going on trips, bigger homes, and they think, oh, that person's rich. I'm like, no, that's spending. Rich is what's left over after you spend. And it's so easy to get caught up in the spending world, not the wealth building world. And so I think it is just a matter of habit reading and that period before I sold my company, where I thought I was going to have a wire of a few million bucks coming into my bank account one of these days. It was a very weird time frame because for the first week, the images of Ferraris were dancing in my head, or whatever the equivalent is. But I think I had this weird experience where I knew the money was coming, but I couldn't spend it because I didn't have it for a few months. And so then I basically had this, like three month thought experiment, which is, what if I went and bought a Ferrari? Where would I park it? What would I look like rolling up to my friend's house in a Ferrari? I personally think I'd look like a douchebag.

Jeremy [00:16:00]:

So I'm like, it doesn't match my style at all. What if it got scratched? How much gas does it take? I'm like, all right, I can't get a Ferrari. I would just feel so stupid if I had a Ferrari. And then the more I did that thought experiment, the more I realized it's a lot harder to convert money into happiness than we all assume. I think everyone thinks, oh, if I was sitting in first class, I'd be happy, oh, if I had the next car, the next house, the next whatever, I'd be happy. But the people who have the next first class car, house, whatever, they're not happy.

They're probably even more. And so you just have to basically find peace in that there isn't happiness over the next hill of spending.

Jeremy [00:16:45]:

And it's a tough pill to swallow, because then you have to answer the question, how do you find happiness? And it's not so easy as if I had more money and spent more money, I'd be happier. But at least if you eliminate the spending, more money makes me more happy, it can open up the opportunity for the real solution.

Dave [00:17:02]:

That was deep.

Jeremy [00:17:04]:

Are we going to cerebral sometimes?

Dave [00:17:06]:

Yeah, that's okay. Are we going to find the solution to happiness today?

Jeremy [00:17:11]:

The best answer I've had is my mom asked my grandma, what's the point of life? Why are we all here? And my grandma said to my mom, to help people. And I think that's kind of it, right? We're all going to be buried in the ground 100 years from now, everyone listening to this podcast and the three of us, we're not going to be here, and there's going to be all new humans on Earth. And I don't think our legacy will be measured by how much we spent. It'll be measured by how well we lived, how much we help people. And I might add to that, to be happy, to help yourself. So be happy and help people and find your own happiness. That's really what the point of life is. So beyond that, I don't know.

Jeremy [00:17:51]:

Pretty good answer. Above my pay grade, I think.

Dave [00:17:53]:

Pretty darn good answer so we've talked about being more on the frugal side of things, but we haven't really touched much on the investing. So I know you've mentioned a, you've talked about opening IRAs on a few beers. If you are starting out investing, how do you help people kind of start that path, especially when they don't know anything?

Jeremy [00:18:12]:

Yeah, I think a few things I've heard you guys say, too, is that a really important part is just getting over the inertia of doing nothing. This concept in physics I learned, which is static friction. And if you have like a block on a surface and you push it, it's much harder to push at rest than it is in motion because there's a static friction. There's more friction when it's sitting than when it's moving. And we've all experienced that you're pushing. Once it moves, it slips, and then it's easier to push. It's like the same with investing, right? If you've never invested a dollar, that first dollar is terrifying because there's like images dancing your head of bitcoin and day trading and options and futures and ETFs and index funds, mutual funds. There's like so many Goldman Sachs and bearish, lIke, how could an individual possibly dip their toe in that world? It's terrifying.

Jeremy [00:18:58]:

And so what I say to those people is like, yeah, it sounds terrifying, but if you read about for a couple of hours or listen to a couple of podcasts or read a couple of books or whatever, it's really pretty simple. At the end of the day, it's like you put money into account, you buy, my favorite investment is an index fund. So you're basically buying all the stocks, and then you leave it there and that's it. And then everything else I mentioned, trading futures, options, bear Stearns, bitcoin, just ignore it. Just don't do it. That's not investing. In fact, I'm wearing it right now. It says investor, not speculator, because I'm not guessing what oil futures are going to do tomorrow.

Jeremy [00:19:34]:

That's not investing, that's speculating. That's guessing. Investing is a very simple process of systematically putting money into something that's likely to go up over time and likely to pay dividends while you own it, and then just leaving it there. That's what investing is. My two favorite investments are real estate and the stock market. So you put money in these things, leave it there for years, and the matter of knowing what buns a click takes an hour to learn, and I post what buns? A click on my Instagram all the time. I'm happy to say it right now, too, but people are like, what buns do? I click? I'm like, it's everywhere. They're everywhere.

Jeremy [00:20:07]:

Watch a YouTube video. Everyone's telling you what buns look like. You just haven't Googled it yet.

Dave [00:20:12]:

The signs are everywhere. Right. All right, so how do you recommend somebody does start? Let's say they want to open a brokerage account and they want to put their 1st $200 in the market. Where do they go? How do they learn about. You mentioned Niddex funds. Andrew and I have talked about those off and on. We're not big indexers, we're definitely stock pickers. But we certainly understand the power of index funds.

Dave [00:20:40]:

And for most people, that's the best way to go. And so how do you tell people to find an index fund? And what is an index fund if they don't know?

Jeremy [00:20:50]:

Yeah, I mean, the first step is to open an account. And so we're all familiar with bank accounts, basically checking and savings accounts. But if you want to invest, you need a new type of account that's generally called a brokerage account. And brokerage accounts are very similar to checking and savings accounts in that you can put money in and they have account numbers and they're with a big bank, but you can also put investments in and so you can't put a stock in your checking account. That's just not how the system works. You have to put it somewhere else. And that's called a brokerage account. And so you have to go open up one of those.

Jeremy [00:21:20]:

And I've mentioned Roth IRA and 401K. Those are actually special types of brokerage accounts that offer tax breaks. And if you're a beginner investor, listen to beginning investing podcast. And this has scared you. I'll ease your mind, which is like, it's not that, not once you hear the words a few times and look it up, you'll get it. But to simplify things, even if you don't pick one of these special tax advantage accounts, just a regular old brokerage account is a great way to start. And you can open up with Vanguard, Fidelity, or Schwab. Those are the three biggest online US brokerages in the US.

Jeremy [00:21:55]:

And then you put your money in. So you take your $200, you link your bank account like you would with a Venmo account or something, you transfer $200 in, and then once the cash is in there, you're not done. You just have cash sitting in a brokerage account, then you have to go click the trade button or the buy button, and then you click buy, and then you can go look up what you want. So, for example, if you want to buy Apple stock, you'd type AAPL. But if you want to buy every single stock on Planet Earth, essentially you could type in VT, which is the Vanguard Total stock market or Total World Stock Market Index fund. And so when you buy VT with, like you said, as little as $200, you own a tiny little slice of every company On Earth. And as those companies profit and grow and pay dividends and innovate and expand, all that is funneled back in proportion to how much money you put in, into your share of VT. And so I think that's a great way to start.

Jeremy [00:22:43]:

It's really hard for me to think of a better beginning investment than VT because it kind of diversifies away all risk of getting into something speculative that is going to be more dangerous. And that's what an index fund is. An index fund basically means a fund which is a shared bank account that follows an index, which is a list. And so there's this list of every company in the world, and the index fund buys all those companies in proportion to their size and makes it in this nice little convenient package called VT. Yeah, that's awesome.

Dave [00:23:12]:

I think the other thing that's really cool about that is it takes away all the stress of what do I buy? Or what if I buy the wrong thing? What if I buy Zoom at the height of the pandemic and now I'm looking at the company trading at like $6 a share. It just eliminates that whole stress of picking the wrong thing. Because like you said, if you're buying every company in the world, 8000 or plus stocks, it's kind of hard to go wrong with, okay, a few of them are going to go bad. That's okay. It's part of the system. But yeah, I think that's a great system.

Jeremy [00:23:47]:

It's really a great start. And like I said, it's a nice place to diversify away all that risk or maybe leave it in. People can see how the sausage get made, right?

Dave [00:23:58]:

Yeah, exactly. So when you're thinking about if we could maybe dive in a little bit more on index funds, I think you're more versed on them than I am. So if we're talking about index funds, let's say that I want to go beyond VT, the world one, and I want to have maybe a few more. How do you choose? And what are some things that are important to look for as positives and negatives.

Jeremy [00:24:22]:

So, yeah, we kind of do differ here, although our differences are pale in comparisons to our similarities, I would say, in that we both believe in living below our means, investing early enough and taking advantage of compound growth. That's how real wealth is built. But I'm a big believer in index funds because I believe the market is very efficient and it's very difficult to pick a stock ahead of time that we can expect to outperform. And because of that, you're kind of left in this challenging place, which is, which stock do I pick? And it turns out a really good answer is just to pick them all. And so you can imagine the entire stock market, every publicly traded stock in planet Earth, as a pie. And if you buy Apple stock, it's like a tiny little slice. It's a massive company, but compared to every company in combination, it's a tiny little slice. If you buy VT, you're buying the entire pie all at once.

Jeremy [00:25:12]:

And you said, should I buy more index funds? And the answer is like, you probably don't have to. If you did, what you'd be doing is you'd be buying different slices of the pie. And so, for example, instead of buying VT, you could buy two index funds. You could buy VTI, which is the Vanguard US Stock Market index fund, and you could buy VX US, which is the Vanguard non US stock market index fund. Those two kind of make up the two halves of the global market. The US stock market, more or less, is about half the global market. And so if you buy two index funds, you're buying essentially the exact same, like you said, 8000 stocks or so that are in the one index fund. And so I think there's really positive financial value to simplicity.

Jeremy [00:25:54]:

When I look back at my own investments and I say, could I have done this more simple with fewer purchases? The simple option not only was logistically easier and less stress and things like that, it's also made me more money. And so I think the simple option is better. That said, what do you look for? You basically look for what's called a low expense ratio. And so when you buy a stock, an individual stock, there is no expense ratio, you're just buying a share of the company. But when you buy a fund that does the work for you of collecting these thousands of stocks together, they actually charge a fee for that. Traditionally, back in the day, like my parents era, they would be buying these, what are called actively managed mutual funds that charge about 1% per year or so, which isn't horrific, but as you've pointed out in your show, even a 1% over time can make a massive difference to your long term returns. Right? And so while 1%, maybe it's not a bad exchange for someone doing this work of collecting LA stocks for you, we prefer not to pay it. Index funds are much, much cheaper.

Jeremy [00:26:57]:

They're like 0.1% or lower. And so when you're looking for an index fund, it's very easy. When you Google them, you can look them up, you can type in the ticker symbol. There's a million different ways to look it up. You'll find the expense ratio listed there by law. They have to show the expense ratio very transparently because these things are regulated by the SEC. And if it's over 0.2, then that's probably not a fund that you want to be messing with because the fees are going to eat into your returns. VTI is 0.3, and I think VT is a little bit higher because it has international stocks.

Jeremy [00:27:27]:

Yeah, VT is the expense. So it's 0.5%, which is almost zero and almost rounding error, even over decades of investing. And so that's what you're looking for, is just a broad market index fund that's very low expense ratio and has all the stocks you want. If you don't believe in investing in non US companies, you could buy VTI, which a lot of very smart, rational people say that's what they do, and that has an expense ratio of 0.3% because it turns out US stock is a little bit cheaper to buy than international stocks.

Andrew [00:27:58]:

So what about the beginner that's out there? That's saying, why can't I just buy these stocks individually? I can buy little stock slices these days with just a couple dollars on Fidelity or something. Why is that impractical for new investor?

Jeremy [00:28:12]:

In my opinion, it's opening yourself up to higher risk without higher expected returns. Because the stock market is so efficient, it's very, very difficult to tell ahead of time which stocks are going up faster than the rest. And so when you're buying not the entire pie, you're buying these little tiny thin slices of the pie, then you're opening yourself up to risk. And so, for example, Zoom, you're like, all right, pandemic starting. Everyone's going online. Schools are going online, companies going online, everyone's going remote. I know Zoom is going to be huge in the future. It's the next up and coming tech company.

Jeremy [00:28:46]:

I'm going to put all my money in Zoom. But that's not what happened. The unexpected thing happened, which is there's too much speculation built into the price of Zoom. And so then going forward, when profitability came out and things like that, I'm not an expert on Zoom stock specifically, but it has not performed well. Right. And so if you put all your eggs in one basket, in the Zoom basket, you are going to have lost a lot of money. Whereas if you bought an index fund at the beginning of 2020, index funds are up, like 20 or 30% since then. Even despite the pandemic crash and despite the bad year we've had in 2022, you kind of have diversified away.

Jeremy [00:29:22]:

That. So that said, I'm a big believer in not letting perfect be the enemy of good, and I think that there should be a release valve on the FOMO. For me, that means I'm investing 90% of my portfolio in index funds, and 10% I go nuts. And I'm giving myself that permission to say, hey, if I'm such a good stock picker, and I know Zoom is going to be the future, then take my 10%, and if I'm as good as I think I am, that 10% will be plenty to dramatically outperform. And if I made some bad choices, my 90% is still going to continue to grow and carry me into retirement.

Dave [00:29:54]:

Yeah, I think that's an important distinction. And I think sometimes people, and I've said this before, I feel like sometimes people feel like they have to do one or the other, and I think there's so many different ways to slice the pie, and there's so many ways to be a successful investor, and you don't have to just be. I only pick stocks, or I only do index funds, or I only do bitcoin, or I only do real estate. If that's your passion and you want to follow it, good luck. But I think understanding what your end goal is and how you want to get there, I think a lot of people feel like you mentioned this earlier, simple. And I think that's a great way to look at this. And I think a lot of people sometimes think they have to be super complicated. And, like, I try to remind myself, I don't get style points for difficulty.

Dave [00:30:44]:

At the end of the end of the game.

Jeremy [00:30:47]:

In fact, there's usually a negative, whether it's like the bid ask spread or the expense ratio or whatever, there's usually negative financial ramifications for complexity, right?

Dave [00:30:58]:

Yeah, for sure. But I think you need to figure out, I always like to say this you need to figure out what you want to be and how you want to do it. And if the idea of reading a ten K and learning all you can about apple bores you to tears, then don't buy Apple. I think understanding who you are and where you want to go and what you want to do, if you don't want to spend a lot of free time on the necessary time and effort to be a stock picker, then don't do know. Just because Uncle Bob said know such and such company is going to be the next big thing does not always mean Uncle Bob's going to be right. So yeah, I think the idea of determining what's best for you is the best way to go.

Jeremy [00:31:43]:

Yeah, those Thanksgiving dinner stock tips you hear don't always pan out the way that Uncle Bob thinks. My dad's name is Bob and he's giving a lot of people. So if you're my cousin listening to this show, please beware. Like I said, there's also no teacher like experience, and so give yourself that permission to go play with. If you've been stock picking, go throw $1,000 in index fund. Just leave it there for a year. See what happens. If you've only been doing index funds or you've only been doing real estate, go buy an ETF.

Jeremy [00:32:14]:

And I think that I did that when I was in my twenty s. I had an E trade account and I still do that a little bit. I had some ideas, some hunches, some trading whatever, and I think that's informed. My very poor ability at picking great stocks has informed my index fund approach.

Dave [00:32:33]:

I think it's a solid way for people to invest. Do you have any tips or suggestions on how people can automate this as much as they can?

Jeremy [00:32:43]:

Yeah, I mean, the nice thing about mutual funds and there are index funds, the terminology gets a little bit weird because ETFs confuse things. But index funds are basically a type of mutual fund that instead of buying shares like you do with a stock or ETFs, and even those are less clear now because you can buy partial shares. But mutual funds are designed to just put money in and buy in dollars rather than buying in shares. And it also only trades once per day at the end of the day. And so I actually love the mutual fund version of index funds because it eliminates the whole need for trading. And whether you're buying market or limit or whatever, there's no stop losses, there's no nothing. There's just you put money in and then also every online brokerage has an automated investment feature for mutual funds, whereas with stocks, you can't really do that because you have to decide when during the open market you're buying and stuff. But with mutual funds, since they only trade at the end of the day.

Jeremy [00:33:38]:

And so if you have a Roth IRA, for example, that's, again, a type of brokerage account that has no tax on any of the growth forever, you can set up a $500 per month automated investment into an index fund and then just leave it for years. And one of my favorite stories is an example of an investor who started 40 years ago and spent ten minutes setting up their account and putting in $500 a month and then forgot about it. And then today they have about $3 million. And very few active investors who are using the same amount of money over time are going to beat that. Right. And just the simplicity is really dramatic and compelling.

Dave [00:34:19]:

Yeah, that is very dramatic and compelling. So if you could go back in time and tell yourself, what are some things that you've maybe learned since you kind of went through your transformation of being able to retire and now doing what you're doing, what are maybe two or three things that you wish you could tell yourself then that maybe you wish you had learned? I guess earlier, I mean, if I.

Jeremy [00:34:42]:

Could actually go back in time, I would say buy Bitcoin under a dollar and sell it at $60,000, and you will be the biggest bitcoin billionaire on Earth. Although I'm sure if I did that, that probably would change the spacetime fabric.

Dave [00:34:59]:

Yeah, you would screw us, all right.

Jeremy [00:35:01]:

And Dogecoin would be the crypto that takes off.

Dave [00:35:05]:

It probably would be the currency of the world.

Jeremy [00:35:08]:

Exactly. It'd be living in some dystopian future when I'm like, oh, no, I really did it this time. I think the lessons are avoid debt. I borrowed money for a car and I shouldn't have. I was in credit card debt, which partially out of necessity when I started my company, but preferably no debt. I think that a lot of people think that debt is like this clever game they're playing. If they can beat the banks by borrowing more money, like, no, just don't just have your own money and spend it. Avoid debt, live below your means, and then keep your investments simple.

Jeremy [00:35:40]:

And I think those things really free the mind to be a less stressful life, more financially successful, and you can spend your time making more money. I think a lot of people think that the more they spend time on investing, the better their investments will do. But often it's the opposite. And so you should really keep your investments simple and spend more time, like doing work or side hustle or starting a business or whatever, actually does have a return on investment from the effort you put in.

Dave [00:36:07]:

Those are good ones. And we've talked about this in the past before. Why do you think that the things that we're talking about today are not a bigger part of the public consciousness? Why isn't this taught in school? Why do we leave, arguably one of the most important things in liFe, up to you? Graduate from high school, college, whatever, and you're thrown out into the wild, and you have to figure out how to open a checking account, write a check, well balance checkbook. It's going to say, I was going to date myself there. But why do you think this is not discussed enough?

Jeremy [00:36:40]:

I think, like many big problems, there's a lot of moving pieces. I think in terms of the school part, I'm almost conspiracy theory level on this now, where I just think politicians, in order to get elected, need money. They get money largely from corporations. Corporations, in order to make their next quarter's sales numbers, prefer spending, not frugality. And the combination of that just means there's no political will to teach good financial habits in school. I think that the American economy prefers 18 or 22 year olds coming out of high school and college getting credit card and immediately spending beyond their means and then spending the rest of their life working to pay it back, even though it's not good for the individual. I think corporations and politicians, as short sighted as it may be, operate in a short sighted way, because politicians are trying to get elected every two to six years, and corporations are trying to hit quarterly numbers. And so therefore, the powers that be aren't pushing for it to be in school.

Jeremy [00:37:44]:

And then in terms of adulthood, I just think there's a lot of stuff occupying our attention, right? Like, there's social media and there's kids and there's work and this very unsexy education of spending less and investing and learning how to a. There's a reason, like Mr. Beast. Do you guys know who Mr. Beast is? There's a reason why Mr. Beast is getting, like, billions of views and you and I, who are dramatically trying to make people money in a much more tangible way, rather than randomly give someone $10,000 a briefcase full of cash, like, help everyone. They don't flock to it just because it's not exciting. It's a challenge for content creators like us who are trying to help people with money to make it interesting enough to capture attention and still valuable enough to not just be part of the noise and what's the word where people spend money? I've said it early in this podcast.

Dave [00:38:45]:

Materialistic. Materialistic. Yeah. What we need is we need Taylor Swift during her concerts to start telling people they need to spend less than they earn.

Jeremy [00:39:00]:

Taylor Swift licensed index fund. Co branded index Fund. Oh, my gosh. That's genius. I think if there's one idea, it's going to come out of this podcast. We got to get in touch with Taylor Swift's people and even give her a couple of points. Make the expense. I show 0.6 or something, she'll make another billion dollars and then everyone else will become rich.

Andrew [00:39:23]:

That's not the cracist idea in the world, actually.

Jeremy [00:39:29]:

I don't know why we haven't had branded, licensed index fund just to make it more fun. Teenage Mutant Ninja Turtle Index Fund. Whatever it takes.

Dave [00:39:38]:

Well, they did it with SPACs during the whole boom, during COVID Why can't they do it with ETFs?

Jeremy [00:39:44]:

Right? Yeah. Buy the unknown shell of an index fund company or whatever those are.

Dave [00:39:51]:

Well, Jeremy, this has been a lot of fun, and we have talked a lot about a lot of crazy stuff and a lot of very interesting things. Maybe can you direct people to where they could find more about you and what you got going on? Because I know you got a lot of things you brew in there.

Jeremy [00:40:09]:

Yeah. Thank you for the opportunity to shout. I mean, the one thing that we haven't talked about yet is financial advisors, which is a question. It's a question that I've had the hardest time answering over the last four years of doing this, which is, how do I find a good financial advisor? And my answer has always been, and I think the answer still largely, is, if you spend a few hours learning to invest. Well, it's very hard to tell a good financial advisor apart from Bad financial advisor if you don't know how to invest. And once you do, you probably don't need one at all. But still, I think a lot of people wanted to talk to one just to put eyes in their porTfolio, see if they're missing any opportunity, see if there's a tax situation or something like that. And so I'm a little bit embarrassed to admit my shtick on Instagram was that I retired at 36.

Jeremy [00:40:53]:

But I think I'm slightly unretired now because we're building a company to basically solve the how do I find a financial advisor? Question. It's called Nectarine, and we're basically getting the best advisors in the industry, on the platform. And we're doing advice only, which means they don't sell any products, they don't earn any commissions, they don't manage your money, they don't take ownership of your assets. Simply book a meeting, share a screen. They can look at your vanguard, fidelity, Schwab etrade account, whatever it is. Then you pay just for the time. Right now, it's $150 for an hour, no strings attached, no recurring fees, nothing else. And then you can see everything.

Jeremy [00:41:31]:

And so nectarine is where it's at, hellonectarine.com. And that's kind of where we're trying to help the world with fixing the world of financial advice, which we didn't really talk about. But the world of financial advice is kind of messed up with how financial advisors are paid. And so we're trying to fix that.

Andrew [00:41:47]:

How dare you charge by the hour instead of take a percent of assets. What's wrong with you?

Jeremy [00:41:52]:

The difference is, like, if you use a few hours of financial advisor service over the years, you might pay a few hundred or $1,000 or something. If you pay them a percent or two, it might be quarter of a million, half a million. The number gets dramatic. And that's why financial advisors love to just take your assets under management and then only want to be as helpful as they need to be to not have you leave. And it's kind of a pain to leave a financial advisor. And so we're trying to make a different business model.

Andrew [00:42:21]:

Completely agree with you on that.

Dave [00:42:22]:

I think that's super cool.

Andrew [00:42:24]:

So if somebody wants to take the first step into checking that out or checking out anything you do online, where should they go?

Jeremy [00:42:32]:

Hello. Nectarine.com is where you go if you want to check out the advisors. It's really easy. Just choose your state, click search, and it shows you all the advisors right there. You can see their reviews and know their details, all that stuff. Book right through the site. And then if you want to learn about Personal Finance club, kind of my education brand, it's at Personalfinanceclub.com or on Instagram at Personal Finance Club, where most of the fun infographics and Halloween costumes, which you kind of tease at the beginning. So I feel like we at least need to close that loop, which is every year I've been kind of ramping up weirder and weirder Halloween costumes, and maybe you've seen them go slightly viral.

Jeremy [00:43:11]:

But this year, I was a house for sale, and I wore an entire children's playhouse with the Zillow listing for the house I was currently wearing. And the Zillow listing was like picking up, like, a odometer in price, as were the rates, as were your monthly fees. And it was the spookiest costume I could think of.

Andrew [00:43:33]:

I'm shaking in my boots right now.

Jeremy [00:43:35]:

Yeah, I scared a lot of people with that one.

Dave [00:43:41]:

I am not worthy. I am not worthy. I will not try to attempt to compete on that level of Halloween costume ever.

Jeremy [00:43:50]:

I know. I do feel like every year the expectations get ramped up, so I need to make something bigger and wilder.

Dave [00:43:56]:

Yeah, you're putting yourself in a hard position because if you do something like that, you got big shoes to fill.

Jeremy [00:44:02]:

That's right.

Andrew [00:44:03]:

Maybe next year you could do existential crisis.

Jeremy [00:44:07]:

I'm always listening for ideas because it's hard to think of stuff that's, like, especially novel existential Cris. I think that's my costume the rest of the year.

Dave [00:44:19]:

Well, Jeremy, this was truly a enjoyed, we really enjoyed talking to you today, and this was a lot of fun, and you shared a lot of great wisdom and a lot of great advice, and we appreciate you doing that with our listeners. We also appreciate your time to come talk to our listeners, and I know that they will get a lot of great stuff out of this. So thank you very much for joining us. And with that, folks, we will go ahead and wrap it up, and you guys go out there and invest with the margin of safety. Emphasis on the safety. Have a great week, and we'll talk to you all next week. Bye.

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.