The Journey of Becoming an Investor: Learning, Analyzing, and Improving with Long-Time Listener Gilbert

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Dave [00:00:00]:

All right, folks, welcome to Investing for Beginners podcast. Today we have a really special guest, we have a longtime listener and one of our good friends. Gilbert is joining us today all the way from Houston, Texas. And he's going to talk to us about his experience with investing and kind of how he got started in Value Spotlight and a whole bunch of other fun stuff. So, Gilbert, thank you very much for joining us. We're really, really excited to have you on the show. And I know you've been listening to us for a little while, so we're kind of honored to have you here listening to us. You've gone through all the trials and tribulations of us not boring you to deaths.

Dave [00:00:35]:

That's always a bonus. So I know you're in Houston and I guess maybe tell everybody a little bit about yourself and maybe how you got into investing.

Gilbert [00:00:43]:

Absolutely. And thank you very much, Dave and Andrew, for bringing me on the show. I'm also equally as excited and honored a longtime listener. I've been involved with the Investing for Beginners podcast and the ebook now, and the Value Spotlight for about, I'd say about four going on five years. And one of the things that got me interested in investing is that there was a point in my life, a point in time where I opened a brokerage account and I started buying different types of stocks, but I had no idea what I was doing. And at a certain point, I got very frustrated because I would see the numbers and I would see that I'm purchasing these stocks, and yet I couldn't understand what was going on. I would look at the news, and the news would go up one day, go down the other day. And one of the things that I like to know and understand, not just about investing, but other subjects in life, other areas in life.

Gilbert [00:01:40]:

And so then that also led to some of the frustration is because, again, I opened this account, I bought some stocks, and I didn't really know what was happening. And so then I typed in on Google. I did a Google search back around 2017, early on in 2017, how to Invest for Beginners made it as simple as possible. How does a beginner invest? And one of the first resources that I saw was both your Dave and Andrews ebook that said the Seven Steps to Investing for Beginners in the Stock Market and Understanding the Stock Market clicked on. That gave my email. And started receiving these emails, started reading about it. And I liked how accessible it was and how easy it was to follow and understand. There was a little bit of complexity.

Gilbert [00:02:25]:

The thing is, I was okay with that because I also have a background in engineering. And so, Andrew, you've mentioned that you have a background in engineering. I also could relate to that. There was a little bit of complexity that didn't scare me away though. It was good enough to where I could grasp it, feel confident and continue listening to your podcast and continue being a long term fan.

Andrew [00:02:46]:

That's super cool. Well, so happy to have you and it's great to be able to talk to you today. Do you remember what stocks you bought way back then that gave you all this hardship? Or was it like random tickers that you were jumping in and out of and just couldn't seem to make progress?

Gilbert [00:03:04]:

I do remember a few actually. I do remember they were household names, starbucks, Tesla, and Netflix. Those were three that I remember. And then at that time, I met a group of friends at Rice that were we were all in different undergrad programs. And they also did a little bit of investing. And I do quote unquote, investing because we were more of like speculating. Just trying to time the market and follow the earnings reports. Watch the ticker go up, watch it go down, things like that.

Gilbert [00:03:36]:

And at that point, again, it was like Starbucks, Tesla, Netflix, and then I think there was another one that was like an oil and gas company of some sort to try to diversify and I guess learn about the different companies and options.

Andrew [00:03:49]:

Out mean it's hard right? Because we're trying to time travel essentially and back to a long time ago, I can barely remember what happened last year. But if you can try to remember, what part of it do you think was the most frustrating and something that maybe a lot of beginners face when they're digesting that volatility.

Gilbert [00:04:11]:

One of the things that comes to mind about the struggles and the frustration related to investing was that there was a lot of fear involved with it. It was uncharted territory for me. And personally, I'm the oldest and I'm also the first person in my direct family to invest and thankfully my brother also got interested investing. Prior to that though, my parents, they own their own business and as for investing, they don't really understand the importance of investing and they don't also understand easy things like how to get started or where to go or what resources to look for. And again, that was uncharted territory for me. I didn't lose confidence, though, and I didn't let that deter me, even though there were a couple of setbacks. Whether it be a loss and I sold out at a loss, or whether it took me some time to figure out how to buy and purchase, or whether it even took me some time and uncertainty as to how to open an account and who to speak to. The great thing is that especially with school and with education, I knew how to search things even if they were unfamiliar.

Gilbert [00:05:23]:

And so I would definitely say that that was probably one of the biggest hurdles is, like, facing the fear and seeing the numbers and seeing whether it be a couple of $100 or whether it be $1,000 or whatever the amount may be. Seeing that go into the account and then going in there and purchasing, and then acquiring the asset, acquiring the stock, seeing the fluctuations in the price, having to understand what the screens and the platforms look like as we buy and sell, seeing the taxes, so on and so forth. There were a number of different things that compounded in that one experience. And again, even though I was afraid, it didn't deter me. I did realize I had to learn little by little and step by step. And thankfully, using your podcast and your book and the number of resources that you have available also gave me additional confidence, I guess.

Dave [00:06:22]:

Did that help you overcome the fear? Was having the resources or having the ability to work through the knowledge to get past the fear?

Gilbert [00:06:32]:

I'd say the fear was still there. It was reassuring, though, to have instructors such as yourself that accomplished it, that both of you were able to go in there, purchase thought. And Andrew, you even speak about it in your say, you know, go ahead and open the account, and you show like a breakdown, I believe it was like a breakdown of fidelity. And you go, step one, do this. Step two, do that. Step three, do that. I had already opened an account years before, but even seeing your breakdown and your explanation, I found value in that because it kind of reminded me of the steps that I had to take, and it showed me at what part of my journey that I went through. And it was like a checkpoint of some sort, like, oh, I remember doing that.

Gilbert [00:07:15]:

And now I'm at this stage of the journey. And again, Dave, to go back to your question, how you mentioned the fear was still there. Thankfully, though, with mistakes, we learn and we're able to recover.

Dave [00:07:26]:

Yeah, that's so true. And I think that is something that I think beginning investors, any investors need to understand and learn is that we're all going to make mistakes. Goodness sake, warren Buffett is 93, and he's still making mistakes and he's still learning, and he's probably the greatest ever. And I know that I make mistakes all the time, but hopefully I can learn from him and try to pass along that information to help other people so that maybe they can avoid making those particular mistakes. They might make other ones. But hopefully we can help know avoid making mistakes that we I mean, I think that's so important to understand that we will make mistakes and don't be afraid of making a mistake. It's part of the game, right?

Gilbert [00:08:10]:

And now that we're discussing this, I still remember that day that I did purchase the first stock, so it was Tesla, Starbucks, and Netflix. I remember those three. And I remember that I was again afraid, but my heart was beating pretty quickly because again, a couple of that time or a couple of that time, it's like something I've never done before. And you see these, like the red or the green, and you see it up a couple of dollars. And see it down a couple of dollars. The thing is, the next day I checked it and it was still there. And that gave me confidence. That was like a confidence booster.

Gilbert [00:08:47]:

Like, okay, nothing crazy happened here. The account is still there, the money is still there, the stocks are still there. So that was step one of the journey.

Andrew [00:08:55]:

It's funny to me, like, Princeton is the choir, obviously, but some beginners have no idea about the market in the sense that having a conversation with somebody recently, it was like, if my money has made money when I retire, I'll consider that a success. I'll be like, yeah, I think it can hopefully do a lot more than just make you a couple dollars. Right? So it's just interesting to see that there's really so much potential for people out there that don't know about investing and the power of investing and compounding and that a lot of investments do make money and do pay in your account, like you're saying, Gilbert, to be able to stay in there and make you income and grow your wealth. So it's a message I think definitely worth sharing more people. That hopefully would be very exciting for people, I guess. So maybe if we can get back on the time machine and maybe fast forward to more recent times, how do you look at your portfolio now? What are the kind of problems that you run into today? And maybe we can kind of see that compare contrast between where you started and where you are now.

Gilbert [00:10:05]:

Yeah, absolutely. And in preparing for our conversation, that was some of the things that I think with the markets and how things are going today and with everything going on, all the noise, some valid and other not as valid news, they all tend to have an effect on the volatility and stock prices. And the last couple of weeks, we've seen pretty substantial fluctuations, especially with E portfolio Andrew, that you manage, and a great reminder that even though we face these problems, whether it be speculative problems, whether we see drops of 5% 10% or gains of 5% or 10%, that really speaks to the emotion and the short term of the market. That really speaks to more of the excitement and the greed and the fear and the exuberance. Dave, you like to say a lot exuberance in the podcast and of course, Warren Buffett, Charlie Munger and all the greats, they speak to that quite often. So I always like to remind myself about the fundamentals. And Andrew and Dave, you made a comment earlier how that may seem boring, and for some of us, yes, it may be boring because we have to consistently remind ourselves. But I think there's also a tremendous amount of value in discipline and in sticking with the process.

Gilbert [00:11:22]:

And that's part of the appeal and that's part of the challenge. How well can we stick to the story that we've created for these companies? And when we analyze throughout time how the companies are doing well, are they really following our expectations or are they deviating from that? And then we have to go back there and decide, are we going to sell well? What are our plans for this? And so then again, the problems in the short term, the problems more relate to the emotional aspect of it, the emotional side of things. And going back to that comment I made about discipline, well, the resources that you have available, both Andrew and Dave with the Value Spotlight, the podcast and the ebook, and also the YouTube channel, some of the YouTube videos that you created that serves as a reminder about the reasoning behind why are we doing this? Why are we taking our money and why are we buying these assets? Why are we buying these companies? And also we're positioning ourselves for the long term. So, like, again, with what Warren Buffett likes to say, if the stock market were to close tomorrow and open in the next ten to 20 years, would we be satisfied with our decisions? Is this the best way to allocate our capital? I think that that's one thing that if for a brand new investor to realize the extent of that, the discipline required and the behavior and the actions and the day to day actions that are required in order to see success and also to continue to invest with responsibility and discipline.

Dave [00:12:54]:

Well said. Very well said. That's awesome. And it always reminds me of I played sports when I was younger and long, long time ago, and our baseball coach, we spent so much time working on the fundamentals, and the same in football, working on the fundamentals, blocking and tackling, pitching, hitting, fielding hours and hours of fielding practice. And you just thought to yourself, this is so boring. But when it would come to a game time, it was instinctual because you had practiced those moves over and over again, and it allowed you to perform at your best. And investing is the exact same way you said it earlier. Having a structure and having a plan and being disciplined, that's all part of investing.

Dave [00:13:39]:

And I applaud you for understanding that and following it. And maybe you could talk a little bit about your plan or how you kind of go about either looking for new companies or perhaps maintaining what you already own.

Gilbert [00:13:52]:

Absolutely jotting down some notes here. So, yeah, I could definitely share a little bit more about how I like to look for different types of investments and then also maintaining what we currently have. So let's start with the second one. So maintaining the portfolio that I currently manage. I definitely rely heavily on Andrew and Dave and your resources. And again, going back to the fundamentals and getting excited about the monthly newsletter. And I definitely think over time, when I subscribed to the monthly newsletter, that was back around 2017, 2018, and the jump from the ebook, which was more of like a relative valuation with ratios, the jump from that to the newsletter, I thought was pretty substantial. And what I mean by that is I was actually a little discouraged because when I looked at the newsletter, I saw how technical it seemed, and that seemed like a big leap from what we had been covering in the ebook.

Gilbert [00:14:56]:

Again, it was very temporary in the sense that I felt a little bit of discouragement. What I had to remind myself, though, in that instance, was that it's okay if I don't understand everything, as long as I try to understand a portion of it that will speak to success. And what I learned in reading four years worth of your monthly picks, Andrew and Dave, was that my understanding of companies and information grew and my wisdom as an investor grew. Because I would see the breakdowns, I would see the quantitative and the qualitative analysis, and I would look forward to the monthly pick each month, because the way that I manage the funds that I do have, I have an investment account and money that I have from my paychecks, I'll move it over to the investment account. So I'll be sitting there for two to four weeks waiting for the pick. And so then I'm, like, constantly checking when the first of the month rolls around, I'm waiting to see, what's the new company? What is Andrew going to say? What are Dave's suggestions? And that speaks more to maintaining the portfolio. Now, in terms of seeking new companies, that's a little bit more speculative in the sense that I'm not an expert in stock analysis. I don't do discount cash flow valuation.

Gilbert [00:16:20]:

I don't necessarily go in there and start looking at the ten K's, although I have before. And Andrew, that kind of brings to mind the spreadsheet that you had available to us back then. When I started, I looked at the spreadsheet, I input some numbers in there. I understood it. And then over time, I got busy with work, I got busy with other stuff. I didn't do that as much. In terms of new companies and opportunities, that's a little bit more speculative. But what I have been doing is that I've noticed that my desire and my interest in investing has only increased over time.

Gilbert [00:16:57]:

So now I'm going in there and trying to learn about different ETFs. Now I'm going in there and trying to learn about different ways to look at a company and look at their income statement, look at their balance sheet, and little by little over time, it's like a snowball. And although I'm not an expert. I take steps every day to get me there. I've found a lot of success and a lot of fulfillment in taking those steps and in understanding that this is going to be a journey. It's not going to be like a one stop destination. So, again, going back to new company ideas, I will start with things that I know and I mentioned earlier. I currently work for a bank and I'm going to work for a finance company in the future.

Gilbert [00:17:45]:

And that kind of has driven my desire to learn more in that area related to finance and banks.

Dave [00:17:54]:

That's awesome, Gilbert. That's fantastic stuff. So I guess maybe we could talk a little bit more about the investment letter and maybe how that has helped you grow kind of double click on the knowledge. One of the things that I like to say on the podcast a lot drives everybody crazy, probably is water dripping on a stone. And I say that because I think it helps illustrate how knowledge can compound over time, and that if you keep at something, you can get better at it over a period of time. And that's how I've lived my life. I'm by no means the smartest person on Earth, but I keep trying to learn things. I read stuff.

Dave [00:18:32]:

Five years ago, I read Michael Mobison's work, didn't understand it, and now I can read it and understand it. But it's only been because of time. So maybe you can kind of relate some of that kind of idea to what you've learned from the Value Spotlight and how that's helped your investing process and now and going forward and your job, your career, definitely the Value Spotlight.

Gilbert [00:18:57]:

And again, because I've been following your show for about four to five years now, so prior to that, we would receive I forget which iteration of it, what was it called specifically? And then the Value Spotlight was quite a recent app and product package that you offer. And so the Value Spotlight, I really like the app and I really like how the information has been presented and how well and easy it is to follow this information. So, for instance, when I click on the app and then Andrew, it shows here you can click on the latest buy, sell, the news and commentary about the markets and the companies, peer companies, letters to investors, and then the archives. So it's kind of broken up into different sections. And one of the things that I very much enjoy when looking at this is that when we hear about different types of whether it be subjects related to investing or whether it be subjects outside of investing, whether it be like music, fine arts, sports, I kind of see this as like highlight reel of some sort. And I go back and favorite certain monthly newsletters, so I'll go back and revisit them and that would be kind of like a highlight. Like, let me go back and revisit that one pick and remind myself, what is the reasoning behind the selection of this pick? Why was this identified as a very valuable company that's at a discount? And that's one of the picks out of all of the companies that we have available to us. So I'll go back there, and if times are turbulent and the market's down or whatever's going on, news is bad, the company drops, then I'll go back and remind myself, okay, these are the reasons why this is the story that was created.

Gilbert [00:20:48]:

These are the qualitative and quantitative aspects. And then I'll try to go out there and try to pick something that I could focus on to help me grow as an investor and to help me grow in my career. So, Dave, you asked about how does it play in my job? Well, if I'm able to identify something maybe on the income statement or the balance sheet of the pick of that company that I hadn't necessarily thought about that could be applicable to my job, I would find a lot of benefit in that. And so, for instance and this is an example. I'm not saying that this is one of the picks, but if Starbucks were one of the picks, I would go in there, learn about the qualitative and the quantitative aspect of it, listen to the moat. Try to learn about how they generate revenue. Learn about how we value the company. What type of valuation method do we use in order to value it? And then look at the price, of course, compared to the current price, see if anything has really changed substantial with the company, or whether it's just all emotion.

Gilbert [00:21:55]:

And then again, I'll take some of that. So, for instance, maybe I find something in the income statement of the company that I hadn't thought about, but maybe it's related to their operating margin, or maybe it's related to their cost of goods or their expenses or the revenues that the company has. And then I can take that information and that perspective and use it in the current company that I work for. So in the current company that I was working for now for about three and a half years, a bank. And it's really helped increase my interest and my knowledge. Okay, how does a bank look at their income statement? What do they show as their revenues? What do they show as their expenses? Are those growing over time? Are those decreasing? Does it look like they're underperforming? Asking some of those difficult questions and some of those questions that are important for us as an investor and also as an employee of the company.

Andrew [00:22:50]:

That's awesome.

Gilbert [00:22:51]:

And then going back to the value spotlight, I had mentioned earlier that the way that this app is presented is different from when I started, and I find this much more user friendly. And Andrew, I also like that we can discuss with other investors and we can comment on here. And I think that that's very engaging and it feels much more like a community, rather like I'm just doing it on my own. And so having that community of investors that believe in a similar philosophy and that are undertaking these decisions and these choices to invest and to invest in these companies helps motivate me and helps remind me again of the reason why we're doing these things.

Andrew [00:23:38]:

It's honestly encouraging, too, because before we had the app set up, I felt like I was just mailing it out into database and just hoping people received it, right. And now I get comments, I get likes. Those likes mean so much to me. You guys don't even know. So it's instant feedback. And to your point, you have a community there. So Danagur was a pick recently, and we had great commentary on that one from a bunch of people, our good friends here from Zimbabwe, putting in even better analysis than I had, talking about different aspects of emote inside the comments. And that was really helpful, too.

Andrew [00:24:18]:

So I only hope it continues to grow in the sense of having that base of people who are all on similar journeys. And hopefully as it continues, hopefully we get more engagement and more ideas exchange, because that's how we all become better, right? I was watching, totally unrelated, but watching a video on YouTube talk about trees. And if you look at the root system of trees, they're actually huge networks of all these trees talking to each other. So imagine if we could see some of that in investing today. The technology is there, right? It's just a matter of getting the right people in the right seats and then having them really try to communicate and share good ideas. So I definitely appreciate the feedback.

Gilbert [00:25:11]:

Yeah, absolutely. And I think on one of your recent podcasts, you also mentioned the analogy of the tree and how it takes time to really drive its roots down in the ground. And that time takes a couple of years before we start to see the fruits of the tree. And that's similar to investing. It does take time. And that's why I continue to follow you now and also to continue to learn for the past four to six years and more recently, really diving in deeper into the quantitative and both the qualitative aspect of it.

Andrew [00:25:44]:

I like that. Yeah, I thought of it as like your own investment, but in a way, we are the tree too, right?

Dave [00:25:50]:

For sure, right? Yeah, for sure. So you've been doing this now for a little while. What do you struggle with now? What are things that you butt your head up against, maybe don't understand? Things that maybe you struggle with that you could share with us and maybe we could talk through that a little bit.

Gilbert [00:26:07]:

Well, this is exciting because you're going to solve all my problems, aren't you?

Dave [00:26:12]:

No, sorry, but no.

Gilbert [00:26:15]:

Darn. One of the ones that comes to mind relates to one of the ones that comes to mind relates to taxes. Another one that comes to mind relates to balance sheets. And I'd say the last one that's been top of mind is this is probably very relatable how to increase my income so that I can invest more. And I'd say that the combination of all three of those that really speaks to what stage I'm in in the investment process, in the investment journey and what I've found in the past. So going back to that first comment that we made early on about how the fear was related more towards opening the account and then as we progress through our journey, we start to see some hurdles. We'll start to see hurdles related to okay, understanding something as easy as like a ticker symbol and then from there kind of build up on the hurdles. So it's going to like compound interest or other topics that could be a little bit more complicated.

Gilbert [00:27:20]:

Well, the topics that I've found myself interested right now and facing some difficulties in, again is related to taxes, balance sheets and increasing income so I can invest more. And so what I've done is going back to the fundamentals. I seek out help and suggestions and there's suggestions that we have here that we could discuss that'd be fantastic. I'd appreciate that even further, discussing what I mean by some of those. We want to take it in that direction.

Andrew [00:27:51]:

I'm down to do all three.

Dave [00:27:53]:

Yeah, me too. Tell us your problems, Gilbert.

Gilbert [00:27:56]:

Yes, so the first one is related to taxes. So I do invest in a discount brokerage account. And with that I've started to really try to understand the tax implications of that and not just specifically with stocks. It could be anything from REITs to ETFs to real estate to taxes in different states. And one of the things that Robert Kiyosaki and his advisors like to share is know wealthy people, they know about taxes and they know about debt. And I'd like to be wealthy. One day I'll have to learn about those and having that top of mind taxes and debt. And of course, the other two subjects that I mentioned, it's led me to seeking alpha or it will lead me to YouTube videos.

Gilbert [00:28:51]:

It'll lead me to speak to other people. And I think in terms of the know, trying to minimize taxes, of course, but then also trying to understand better, like, okay, if I were to buy and sell, that's going to cause a capital gains tax of how much? Or if I hold on for a long term, hold on for the long term, how much am I looking to pay taxes there? Or what do the dividend taxes look like for an equity compared to a REIT? Like things like that. And then jotting down notes, studying and reminding myself, okay, this. Is what happens with this. This is what happens with this. I'll have to do that for this kind of allocating money to pay for those taxes. So that's kind of some of the things I had in mind.

Andrew [00:29:38]:

The tax thing is tricky because like you said, those are a couple of good examples. Capital gains has special treatments depending on if it's short or long term. A REIT REIT has a different tax structure than your regular equity. And I wish there was an easy solution for that other than it sounds like you're on the right path of when you have a question, you go search it out and find the answer. Outside of finding a tax professional, I don't know how mitigate that or shortcut that.

Gilbert [00:30:12]:

Right?

Dave [00:30:13]:

Is it a taxable account that you're investing in or do you have a Roth or a traditional IRA that you're investing in through the brokerage account?

Gilbert [00:30:22]:

I did have both at one time. And then at that point in time, I was transitioning through jobs. And what ended up happening is I withdrew the Roth. Forget if it was a Roth or it was a traditional one. So I withdrew the funds, I had to pay the penalty, and then I also had to pay taxes on that. And that was a little bit of a setback. And then at that point in time, I had two different accounts, a taxable and a retirement. And I pretty much consolidated it into a taxable account.

Gilbert [00:30:55]:

And I went from there. And ever since, I've had that single account. Okay, but again, even like, selling, like if we sell equity or whatever kind of asset we sell and then how if we have gains already, then we subtract. If we sell at a loss, then we subtract the loss from those gains. So, like, things like know, just kind of paying attention to some of those things. And then, Andrew, to your point, working with the tax professional, my family, we do have an accountant, although as we start to shift the wealth and the responsibilities as my family ages, then by family I mean my mom, my dad and sibling. When we start shifting responsibilities, being aware as to the relationship that we have with our tax professionals.

Andrew [00:31:44]:

Things like think I think the idea that Warren Buffett talks about how the best way to minimize taxes is to hold stocks as long as you can, that's potentially one of those topics that just doesn't get a lot of airtime because it's so simple. Like, okay, yeah, just hang on to it. But it is true because if you were to buy and sell three things versus just buying and holding Apple, you're not getting any tax on the Apple thing other than the dividends. Whereas if you bought and sold three things, you had to make three different choices, and you may or may not have paid taxes on each of those. So there is something to be said about the simplicity of just having a really long buy and hold strategy and how that can minimize taxes. And there's all sorts of studies and blog posts about the numbers behind that and how big that can be. So I know it doesn't solve the problems but maybe it provides another level of comfort if you're thinking about selling something because it's down benefits to not is probably going to rebound at some point. It's a good company and you minimize the tax burden which can really help.

Gilbert [00:33:05]:

Right? Thank you for sharing that. And on the second topic related to the balance sheet, there was a section of Rich dad, poor dad that I ran across. I'm rereading that book and there's a section where he shows a diagram of a balance sheet and on the asset side he lists a couple of different assets. One of them stocks, another one's bonds, real estate. He mentioned notes and I believe there was like royalties. And when I saw that and I reread it and I looked at it again and I started connecting that idea with how banks operate and really understanding the liabilities and the assets. And then he also mentions how and again, maybe this is difficulty or maybe it's more of where I'm at in the journey, trying to better understand how companies allocate certain capital and what their resources and what their balance sheets and income statement looked like. So then when I started thinking of that and then I started connecting that not just to the company I work for, but also with my personal balance sheet and the options out there for the different types of assets.

Gilbert [00:34:14]:

That someone can purchase and the complexity not necessarily that we're always aiming for the most complex structured asset or business or whatnot, but I think it really speaks to, again, the availability of options out there for investors and how we can generate different types of interest rates and compound that over the long term. Again, that's more of, like, the difficulty that I'm facing is, like, trying to personally decide, should I put extra capital into bonds or should I put it into a REIT? Or should I put it into a company that maybe I didn't analyze as well as I should have? Or that I don't understand as well as I should. But again, that kind of goes back to the process of these step by steps help bring greater awareness to us as investors and our capabilities as investors.

Andrew [00:35:14]:

It's amazing how when you start to peel the guardrails away how the amount of options that are available to you become so overwhelming. I don't know if you guys have noticed that.

Dave [00:35:25]:

Yes, for sure.

Andrew [00:35:27]:

Yeah, obviously I haven't looked at everything. Who could say that they have? The way I like to look at it is just trade offs. Everything has a trade off. So some people have made a lot of money in real estate but most of them have taken on substantial leverage to do so. That's out of my comfort zone, so I stay away from that. Some people have really struck it big by being early investors, whether that's venture capital or cryptocurrency, anything like that. I've also stayed away from that as well because I don't feel like I have any special advantage there. And then on the other side, bonds are generally not as high of return.

Andrew [00:36:15]:

So I don't mean maybe there's a way we can kind of quantify why stock is kind of preferred for myself and for Dave as well. There's a lot of ways to think about it. I think for me, if I look at the different main categories of assets, I like stocks the most because you are a part owner of a business and so you could buy bonds, which are the creditors they're lending to a business, or you could buy, at the very early stage of a business, buying stocks and buying the type of conservative stocks. We buy a lot of companies that are much later in their life cycle, a lot more stable, and those can still provide good returns. So I tend to like those because when you look at the numbers of Microsoft or Visa, it's not guaranteed you're going to get what you got before, but it's a lot more recurring and the numbers mean something. If I were to look at the numbers of a lemonade stand and they were to tell me they tripled their sales in a week, that doesn't tell me anything. So that's the reason why I kind of have picked my lane and why I like that lane. There's plenty of other lanes and it's good to learn them.

Andrew [00:37:39]:

But I think understanding that one of the biggest things for me was understanding that there's no free lunch on Wall Street. I fell back into it all the time, even yesterday, like, oh, how could I use some options trading?

I've dabbled in options and there are ways to basically do the same thing as buying stocks, but do it in a more clever way to add extra interest, right, to get these premiums and everything that you're collecting. But at the end of the day it's not for free because you're usually taking on extra risk or you are tying up a lot of capital or you're having to do a lot of work to play with the half percent or whatever it is. So everything's going to have a trade off in finance. And I think, to me, that's a really freeing idea, because you could say, yeah, maybe I'm missing out because I don't have any allocation to private equity, but there's a trade off. And so if they're doing better than me, there might be some other trade off that I don't understand or I'm not having to be subject to. So going back to the real estate idea, I see a lot of real estate developers that might get wealthy really fast, but I also understand that they have a lot of debt on their balance sheet and that works really well until it doesn't. So I think you can take that mental model to a lot of different types of assets and hopefully if it doesn't give you the answer to your problem, hopefully it helps understand that it's okay.

Andrew [00:39:09]:

There's a lot of options, but there's no rush to learn all of them. And what you're doing probably isn't as bad as you might think because you see all the other options out there. Dave, do you have insights on that?

Dave [00:39:24]:

I think I like the idea of exploring things and learning as much as you can about different asset classes or potential investments. And the idea that Andrew said I think really resonates with me, where there's trade offs and thinking about what is it that you really want to do? So for know, we're talking about real estate. You could say the same thing about maybe commodities, or you could say the same thing about another kind of asset. Maybe it's private equity or something along those lines. If you want to do it well, you can't do it part time. So if you want to do real estate, well, you have to spend a lot of time understanding what it is you're buying, the markets, how to value those businesses, and figuring out a way to come up with the capital to buy said building land, property, whatever it may be. And there's lots of resources out there to help you do that and there's lots of smart people that do that. But I think a lot of people go into just to pick on real estate for just a second, thinking it's going to be something I can just do for an hour or two a day, once a month, kind of thing.

Dave [00:40:31]:

It doesn't work that way. If you're a homeowner or a landowner or a property owner, you are on duty every day, all day long. Let's say you buy an apartment complex, maybe it's four units, for example. If one of those units has an issue with the air conditioner, they're calling you and you got to fix it because you own the building. They don't. They rent it and that's why they're renting it. And I'm not saying that that's a bad thing. And if that's something that people want to do, and if that's what you want to do, Gilbert, then by all means knock yourself out.

Dave [00:41:04]:

But I think people need to understand when they go into it. It's not like buying Visa and then sitting back and watching it do all the heavy lifting and earn money for you over a long period of time. When you own real estate, unless you farm it out to somebody, you're the person doing the work. And it's the same with commodities. If you don't understand gold or oil or copper or said commodity, you really have to understand the cycles and what it is you're buying and whether you're buying the actual physical product or whether you're buying the land that they're mining to dig up the copper, for example. There's a lot of ways you can go with that. But again, it's not just something you can do for an hour or two a month and be done with it. It's a lot more involved.

Dave [00:41:54]:

Just like if you're going to buy Visa, you can't just hear Uncle Bob talking about it at lunch and go, yeah, I'm going to buy that. And great, I mean, you can, but you're going to get the result you may or may not get or may or may not like. To kind of go back to what Andrew was saying, I think there's trade offs and I think you need to decide what it is. Are those trade offs and what is your goal? What are you trying to get out of this before you start digging into these different robert Kiyosaki is he's obviously very big into real estate and he's also big into commodities, and those are all great and lots of people have made lots of money doing them. It's not in my wheelhouse, personally, and it doesn't fit my goals and what I want to do, I'm not going to put them down as investments because I don't know anything about them. But to go back to Andrew's point, there's trade offs. If you want to do those things, then you have to understand you're going to have to allocate the time and the resources to do those things properly. And if you don't have that or don't want those, then it's probably best not to do that.

Dave [00:43:02]:

And I guess the last thing I'll say about this is that the stock market also offers you the ability to partake in some of those assets in different ways. So we were talking about REITs earlier. That's a way that you can invest in real estate without having to come up with $150,000 to go buy a building, for example. And you don't have to do all the maintenance of the building and everything. You buy the REIT and then the company that manages the REIT, that's their headache and not yours. And it's kind of the same with commodities or it's with crypto or even private equity. There's lots of ways you can slice it in the stock market and you can do the work necessary to find those assets and invest in them. If those are something that interest you and you want to partake in those to help you with your future plans.

Dave [00:43:51]:

But you don't have to have all the wherewithal to do all of it and the time spent on it. So I hope that helps somewhat.

Gilbert [00:43:59]:

Very much so, yeah, very great points there that you both covered, and I definitely understand that, the importance of those to consider that. And I think that this discussion helps remind us and myself again, going back to the fundamentals and the trade offs, that was a great way to put it. Andrew yeah. If we're putting money here, we don't have that money available to put it in this other asset. And maybe this other asset is a much better asset or more aligned with our goals or our interests, things like that.

Dave [00:44:43]:

So your third point was how do you make more money? How do you make more money to invest? So how could we help you with that?

Gilbert [00:44:49]:

I'll give you my cash app.

Dave [00:44:53]:

Hey, somebody who has the Cash app. All right.

Gilbert [00:44:57]:

Yeah. I had a friend who's out in Silicon Valley and he's kind of working with the tech companies, and his company got acquired by Square. So then he doesn't work there anymore. But that was one of the reasons why I downloaded Cash app, because he told me about it, and that was around the time when they were doing the acquisition.

Andrew [00:45:15]:

Why did you download a Cash app, Dave?

Dave [00:45:18]:

What's that?

Andrew [00:45:18]:

Why did you download Cash app?

Dave [00:45:21]:

Because I thought I was interested in just seeing what it was all about. It was during my payments, my payments extravaganza. And so I wanted to learn more about PayPal Venmo cash app, how they work, who uses them, that kind of thing. So I haven't used it in years.

Andrew [00:45:42]:

Thanks for the opportunity to throw them under the bus. I know the state of youth that to actually send money to a friend, no offense.

Gilbert [00:45:55]:

And I think I also haven't used it in a while. And I think there's so many payment options out there and all these apps that we could do bank to bank transfer, account to account transfer now, and that can also get overly complicated. And speaking about trade offs and the journey to the financial, I believe, Andrew, in your book, you talk about Seven Steps to Financial Freedom, and you mentioned also that there's a beauty in Simplification. And sometimes if we get too complicated going back to our options, and then all of these apps and payment systems and these topics and the numbers on the TV and numbers on YouTube sometimes for the beginners out there, it definitely seems very overwhelming. And I'd suggest for anybody out there that just starting out, look for something simple that speaks to you and that speaks to you and interests you, and that will be the start of your journey in your investing journey, in your finance journey.

Andrew [00:46:58]:

Let me ask you this way. If you could get paid to do something, like you would get a full time job to do something, what would that something be?

Gilbert [00:47:07]:

I'd probably say either invest or to focus on investing full time or public speaking. I'm a dance instructor with the dance company in Houston. And so then it's like a little bit of ballroom dancing, and we also do a lot of country dancing and swing dancing. And I found a lot of enjoyment teaching others how to dance in a public setting. I would say that would be my choice.

Andrew [00:47:36]:

Tell us about your studio.

Gilbert [00:47:38]:

Yeah. The studio I work for is called Demiko dance. They've been around for over 35 years. Started out in Louisiana, in New Orleans, and then the owner and his wife at the time moved from Louisiana to Houston and they grew the Houston dance community. So it's Demiko dance. The owner is Damon Demiko, and I've been involved with that now for about ten years. And that has really grown my ability to not just speak, but also speak in public and speak in different whether it be TV segments, whether it be podcasts, whether it be public speaking settings, class discussions, things like that.

Andrew [00:48:19]:

That's such a cool cocktail. Interest in investing and dance and public speaking. I wonder it's such a unique cocktail that there's got to be a way to leverage those passions, to be able to generate some passive income, be able to put more into the market. I would think so.

Dave [00:48:40]:

Yeah, I would think so too. I would think there would be lots of opportunities to either do things like find private students that you can teach, maybe you go into people's homes and teach them dancing, or you work through community centers or schools and teach dance through there. I think there would be lots of opportunities to it would probably be as simple as creating a website and finding ways to entice people to go to your website and teach them how to dance. Or likewise, public speaking. That is not an easy skill, and a lot of people are terrified of it. And the fact that you can do it and you do it well, there's definitely a way that you can leverage that to help people, whether they're in the corporate world or whether they want to be musicians. I was a musician a long time ago, and I knew a lot of musicians that were terrified to go on stage. And I think you can use a lot of the same techniques and skills that you would do in public speaking to help musicians get over stage fright or actors get over stage fright.

Dave [00:49:52]:

So I think there would be a lot of opportunities for you with all that experience. I think that would be something I would probably especially if it's a passion of yours, that's something I would definitely lean on. I was working in a bank in finance, and this and that were related. And I also worked in the restaurant business before I really did this. And the restaurant business was not my passion and this was and even when I was at work, I was thinking about, know, I'm clearing somebody's table, I'm thinking about a balance sheet. And when know, running food to a table, I'm thinking about an income statement. And Andrew and I would do this, I would go and sit it in my car and we will record episodes.

Gilbert [00:50:37]:

Really?

Dave [00:50:38]:

Yes. And then a few days later, after working a 16 hours shift, I would have to edit the audio and edit the transcript and put it online and all those things. And I did it because I loved it and it was something that I had a passion for and I really enjoyed it. It was not work to me, it was something I got to do. It was fun. I'm not saying that to brag by any stretch. What I am saying is that if those are things that you feel a passion for, figure out a way with all the tools that are out there now, figure out a way to leverage those to start and it doesn't have to blossom into $300 million a year right off the even if you're making $200 a month teaching people how to dance or teaching people speaking skills, then that's 200 more dollars you can put into market. And it'll just grow over time.

Dave [00:51:34]:

And like anything else, it'll just compound. And that's one of the things I think people, when they do these kinds of things, they think they have to make it rich right away and you don't.

Gilbert [00:51:47]:

Yeah. Great suggestions, both of you. And that's one of the things that in the past ten years that I've been working with the company, there have been opportunities and I think now it's more at the stage to try to grow that a little bit more. Whether it be through, like, your suggestions, whether it be through teaching more lessons or even starting, like, a club of some sort and bringing people in and understanding, from my perspective, the finances behind a dance club and what would the marketing look like, what would the overhead look like, what kind of revenue would we expect, things like that. So I think slowly, little by little, that's kind of pieced itself together. And ultimately, if that is the route that I decide to go through, well, it would be taking the steps necessary to start that and learning about more about business and how to operate a business. Look at the business plan, looking at different types of investors, different types of finances. How much do we need at startup costs? All of those questions involved with that aspect of it, I'll tell you the.

Andrew [00:52:52]:

Same skills that you use to teach yourself how to be an investor and you continue to search for solutions when you have questions, you do that. For this, I think you'll find a lot of success as well.

Dave [00:53:05]:

Yeah, I agree.

Gilbert [00:53:06]:

Great, thanks.

Dave [00:53:07]:

Yeah, you're welcome. All right, folks. Well, with that, we will go ahead and wrap up our conversation with Gilbert today. This was a lot of fun. And Gilbert, we really appreciate you taking the time out of your busy day to come talk to us. This was an honor for us to have you on today and we really enjoyed it. And with that I will. Go ahead and sign us off.

Dave [00:53:25]:

You guys go out there and invest with a margin of safety. Emphasis on the safety. Have a great week and we'll talk to you all next week. Bye.