The Investing Journey: Insights from Jeff & Jason of Investing Unscripted

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Dave [00:00:00]:

All right, folks, welcome to Investing for Beginners podcast. Today we have a very special episode. Today we have Jeff Santoro and Jason Hall from Investing Unscripted. They're joining us here to talk to us about investing and all kinds of fun stuff. They also used to work for the Motley Fool. And so these guys are very smart and they know their stuff. And if you do not already listen to their show, you absolutely need to you will learn a lot. So as we're going to discover here in a minute.

Dave [00:00:24]:

So, Jason, Jeff, thank you very much for joining us today. Showing up, we appreciate that. That's always a bonus. Could you guys maybe give everybody who aren't familiar with you maybe a quickie background on who you are, where you came from and what you want to be when you grow up?

Jason [00:00:38]:

Dave, first of all, send me your venmo so I can pay you for that great recommendation of our podcast. I'm Jason Hall, and I have a strange, interesting background that led me to this. I was an absolute idiot with money for most of my early adult life, really my teens on through my 20s. There are stories I could tell that still I'm trying to figure out why my wife stayed with me and married me after all of the trials and tribulations.

But along the way, I grew up. And at some point, I'm in my mid to late 20s. It's 2007. Things are good, and then things are horrible.

Jason [00:01:16]:

I was lucky to be in Southern California at the time, making a really good income, watching the world fall apart. Realized I have no retirement savings, it's time to grow up, and I seized the opportunity. You mentioned the fool. I found the Motley Fool about this time, ended up joining one of the newsletters and fell in love with it, and within a couple of years, really got super passionate about doing the research and writing and was really involved on the Motley Fool's message boards for a number of years. Somebody internally at the fool came to me and said, you know, we'll pay you for this stuff. Really? Okay. All right. So started doing a little bit of freelance writing and just completely fell in love with that.

Jason [00:01:56]:

And it's one of those things where I'm sure you can both relate is there's something really powerful to finding meaningful work that gives you purpose. And the job that I was in outside sales, making a ton of money, great colleagues, it was fine. It did not give me fulfillment like doing the work that I was doing for the fool, just on a freelance basis. Had an opportunity to turn that into full time work. And that's been 1112 years ago. Still do a good bit of contracting work for the fool. In addition to the podcast that Jeff and I have a YouTube video, YouTube channel as well. We have a couple of other folks that guest and come on with us for our YouTube videos.

Jason [00:02:31]:

And here we are. That brings us to today.

Dave [00:02:33]:

Awesome.

Jeff [00:02:33]:

I have a slightly different background and story than Jason. I was not an idiot for my 20s with my money. I was very responsible.

Jason [00:02:40]:

If you look at the funds that he chose in his 403 B, you may beg to differ.

Jeff [00:02:45]:

So I have a little bit of a different story. I work full time in education. I was a music teacher for twelve years, and now I am a supervisor of a finer performing arts program in a school district in New Jersey. And I do all of the investing and podcast and writing stuff with The Motley Fool as a side hustle. I found the motley fool during the pandemic. I've been an investor my whole life, but only in index funds in my retirement accounts. And I had this strange trip of just a random conversation with a colleague. I opened a brokerage account for the first time ever, bought some stocks with literally like $50.

Jeff [00:03:20]:

I was just playing around and learning. Found the motley fool. Fast forward a year later. I was doing work for them as a contractor, similar to Jason. I was working on their message boards, doing some internal work. Came out at the end of 2021 as a writer on the free side. And then last summer, 22, Jason and I started the Smattering podcast, which basically came out of our fake internet friendship by texting and DMing on Twitter. I reached out and said, hey, we should start a podcast.

Jeff [00:03:48]:

And we did, and that's what we've been doing together ever since. So it's a full time gig for Jason, it's a part time gig for me. But I think I would echo what he said about just really falling in love with the whole process of learning about it, diving into businesses, reading ten K's and ten Q's and press releases and all that kind of stuff. So yeah, that's quick story for me and how I got here.

Dave [00:04:09]:

That's awesome. All right, you guys both have kind of diverse backgrounds. So what about the stock market I guess, attracted you? Was it the money or was it the kind of the endless fascination with how companies work and kind of the whole mechanism?

Jason [00:04:26]:

Oh, it was definitely the money. No doubt about it. 100% the money. That's the only reason I'm here. When are we getting paid? I'm kidding. I was really drawn to the idea of building sustainable wealth over the long term. And I guess I was lucky, because before I really jumped into it in 2007, 2008, at that time, in the early two thousand s, I worked with some simple who were like day trading, penny stocks and all that kind of stuff. And I remember, I don't remember which cable company it was, but there was a cable company that had gone bankrupt and the stock was paid trading for 2020 share or something like that.

Jason [00:05:02]:

And one of the guys I worked with was convinced, convinced they're going to come out of bankruptcy and it's going to be worth so much money. And I remember thinking, and I didn't know anything about stocks back then, but I knew a little bit about business. I'm like, they went bankrupt. That means that somebody else is going to own it after this. And he was reading a Penny stock newsletter, right? He was a bag holder for somebody. So luckily I was just kind of predisposed to the business focused the idea. You're buying businesses, you get to participate in amazing power of capitalism to innovate and create wealth and change people's lives and gradually improve everything for everybody. It's kind of like the inverse of there's this story that Morgan Household wrote years ago.

Jason [00:05:46]:

I don't even have to tell you guys who Morgan Household is. Anybody that's listening should know who he is. It's just this one little clip from a story that he wrote that talked about how there are people driving home today from an outpatient procedure, complaining to somebody about how long it took that took care of something that would have killed their grandparents, right? It's like we get to participate in this amazing change of life that we don't even see, right? We don't even see it happen and our lives get so much better. And I think that is so amazingly powerful that you can do that with just this small amount of money. And again, I was growing up and I realized, hey, I need to create wealth. I fell in love with this. Way to do it. And then the idea of being able to own these transformative businesses was just so compelling to me.

Jason [00:06:28]:

It was just so incredibly compelling.

Jeff [00:06:30]:

Yeah. I'm going to be perfectly honest. The reason I got excited about the stock market with individual stocks specifically was entirely for the money. I got into it for the absolute wrong reason. That conversation I referenced earlier that kind of got me interested was with a colleague who basically not day traded, but was like basically a swing trader. And he was showing me, oh, I bought this stock five years ago and it's up this much. And the idea that you could own a stock and it could go up hundreds of percent blew my mind because my conception of investing was my lame index fund that might go up a few percentage points over the course of the year. Right.

Jeff [00:07:08]:

I had no conception of what you could do. What's interesting is I quickly sort of fell in love with the other side of it, the long term buy and hold, build wealth over time. It was like I got in for all the wrong reasons and then I had this AHA moment. And I've always been the kind of person that was interested in personal finance. Like, I'm the nerd who balanced their checkbook when they were, like 16 to the penny. I can tell you where I've spent every dollar going back to probably the early or mid ninety s. I was.

Jason [00:07:36]:

Lucky enough to marry somebody that does that.

Jeff [00:07:38]:

Yeah, I had a very different 20s than you did, Jason. So the idea of keeping track of businesses and the money and looking at financial statements, that clicked with me very naturally, just because it was an interest I didn't know I had. It made sense in hindsight, but yeah, if I'm being honest, it was the idea that something could go up multiple hundreds of a percent that you own just kind of blew my mind. So that's actually what sucked me in. And then just if you had told me two weeks prior to that conversation where I'd be now, three or four years later, I never believed it. So it's just I was right place, right time, right circumstances.

Dave [00:08:10]:

Those are awesome stories. So do you remember what the first companies or company that you bought for? Andrew and I was both microsoft. So do you guys remember the first one that you stepped off the ledge to buy?

Jason [00:08:22]:

I have to ask you before we answer, though. When did you buy Microsoft? Because that's going to be a very different result.

Dave [00:08:29]:

Well, even despite the gray hair, I'm late to the game, too, so mine was 2014.

Jason [00:08:34]:

Holy shit. You still did incredible.

Dave [00:08:36]:

Yeah, well, I only bought one share, so don't get too excited. I bought more since, but it was one whole share.

Jason [00:08:44]:

Andrew, what about you?

Andrew [00:08:46]:

I bought it in 2012 because I liked to play Xbox, and I knew they were coming out with an Xbox next month. And that was my rationale.

Jason [00:08:55]:

I did that about the same time, to be honest, I really did.

Andrew [00:08:59]:

Funny.

Dave [00:08:59]:

My reason for buying it was because I use Word and Excel at work, so I was working in the banking industry and I used those two products a lot, and so it just was like, okay, makes sense.

Jeff [00:09:10]:

We did a whole episode recently about, is being a lazy investor better? And the thesis I brought to that conversation was basically the reason everyone here bought Microsoft, right? Like, if you just bought the things that, you know, everyone uses that are really big brands that everyone that you just can't live without, could you do fine over time? It was a thought exercise. I'm not saying you should just go rush out and buy everything you're familiar with with no research, but along the lines of what you guys were saying. My first stock was given to me because when I opened a brokerage account in February of 2020, it was a Robin Hood account. So I was given GoPro. That was my gift for opening the account at the time. Like I said, I literally started with $50, and they did not have fractional share trading. So I was buying essentially penny stocks. I was buying random biotechs that were a dollar $53.

Jeff [00:10:04]:

Just because I had $50. I couldn't buy a share of Microsoft or Amazon or anything like that. But I will say, one of the earliest stocks I bought, I don't know if it was my first one that I felt like it was really, like, my decision. It was once I switched to a different brokerage and had fractional shares. I bought Apple probably right at the beginning, and it's almost for the exact reason you guys all bought Microsoft. I use all Apple products. iPhones are everywhere. It was just like, buy what you know, can't go wrong.

Jeff [00:10:30]:

That kind of a thing. I didn't know anything at that point. I was lucky that I was buying a lot of stocks during the beginning of the pandemic. That happened to coincide with me getting into interested in it. So I was looking back today. I bought a lot of stuff on, like, March 26, 2020. I was just excited in buying stuff. Now, again, you said this earlier, Dave.

Jeff [00:10:51]:

I bought, like, $4 of this and $3 of that and $5 of that. So I wasn't making any life changing decisions there. But it was good timing on that part.

Jason [00:10:59]:

The first stock that I ever bought was there's a trivia question that it's the answer to. And this stock was, from the time of its IPO for, I believe, the next 40 years through its peak stock price, was the best performing stock in the US. Stock market over that period of time. Like I said, it was like 40 years. I bought it through the employee stock purchase plan, and then I left the company and sold those shares, but I was awarded along the way. This is the hint that may give you the answer to the question. They founded another business, and they spun that business off and spun it off to existing shareholders. And the business they spun off was CarMax.

Jason [00:11:38]:

Who founded CarMax and spun it off?

Dave [00:11:40]:

I have no idea. I've never heard you tell GE, but not GE.

Jason [00:11:44]:

You'd think so they spun everything else off, right?

Dave [00:11:46]:

GM.

Jason [00:11:47]:

Oh, no. It's an obvious one. It makes perfect sense. Circuit City. Who else would start a car dealership? Circuit City. Yeah.

Dave [00:11:55]:

Oh, my gosh.

Jason [00:11:56]:

Circuit City went full round trip back to zero, right? Bankruptcy, liquidation, the whole thing. But they founded CarMax, and luckily I left the company early 2000s, actually made a little money with the Circuit City stock, but the CarMax stock, for some reason, I still don't know why, but I had them send me the actual stock certificates, and I stuck them in a safe, and I kind of forgot about them. And then we moved out to La. And the story I told at the beginning about getting into investing, somewhere along the way, we're going through all of our stuff, and I'm like, wow, this is, like, $3,000 worth of stock. This is amazing. Here's the thing if 25 year old me had have found that, I would have had a great weekend. I tell you it would have been a great weekend. But luckily this was like 28 year old me and I'm like, you know what, I need to figure out how to get these in a brokerage account and sell it.

Jason [00:12:42]:

Because I had joined Stock Advisor, the Motley fool service, and I was really ready to start taking that jump. And this was going to be like some of the seed money for me to really start taking that personal investing. Yeah.

Dave [00:12:56]:

Well, that's quite a journey.

Andrew [00:12:58]:

Are you guys familiar with the coffee can concept that Christopher Mayer talked about.

Jason [00:13:04]:

In his book Taking the Spare Change?

Andrew [00:13:06]:

Basically similar idea of taking the stock certificates and putting them in a coffee can and then not touching them for decades.

Jason [00:13:13]:

Brilliant.

Andrew [00:13:13]:

And how there's been some investors who have greatly outperformed I think he used one example was like it was a husband and a wife. The wife just took certificates and just stuck them in a coffee can. And the husband was like working with a financial advisor, trading in and out, trading in and out. And she just ended up her money was worth way more because you get companies like Berkshire or something and the rest is history.

Jason [00:13:37]:

Well, it's like the Apocryphal supposed research about investors that lose their passwords or that die outperform everybody. It's the same thing, right? Because you remove us from the equation and you do really well, right?

Jeff [00:13:54]:

You get rid of your propensity to do stupid things and trading fees and taxes and those three things right there and you're off to a good start.

Andrew [00:14:03]:

So what about that do you guys feel like you personally struggle with? Are there situations where you feel like, you know, you should hold something, but you end up talking yourself into selling it?

Jeff [00:14:14]:

I would say like one out of every ten of our podcast episodes are financial therapy for me, where I come to the table with some existential investing crisis and we talk through it, which I think is sort of the vibe.

Jason [00:14:26]:

I've got about half of my thesis written from Jeff for my master's in psychology.

Jeff [00:14:33]:

I'll answer your question, Andrew, at least one way what I find is when I am busier in know again, I have a full time job that is not in investing. So it's easy for me to go the whole trading day and never even look at the market because I'm at work. So I notice that when I am very busy at work for weeks at a time, if it's just a busy part of the year for me, I don't have the urge to trade or buy and sell things as much as if I have a week off or I'm home sick one day or my kid is sick and I'm home with him or something like that. So for me that I noticed that early on, and I've sort of put some friction in place. I have little rules I kind of make myself adhere to when I'm feeling itchy, like, oh, I got to buy something. I'll give you an example. If I know I'm going to be home for a week, I tell myself, don't buy anything or sell anything this week because I know that'll be driven by having the time to look and think and update some spreadsheet. I'm keeping on a company and I get all excited and I want to do something.

Jeff [00:15:32]:

It's just the urge to be active. And I've noticed also that if sometimes two or three weeks go by and I don't check in, I don't look at what's going on, and if it's a good couple of weeks in the market, I'm like, oh, this is a good reminder that I should just let time do its thing. So for me, it's a lot of just keeping myself away from it when I have the downtime, because my interest in it, which I think we all kind of can relate to, like my desire to read a ten. K or read a ten Q will then get me excited to go buy some more of it or get me depressed and want me to sell some more of it. So I have to sort of put some friction in place so I don't do that too much.

Jason [00:16:08]:

Two things that we talk about a lot on our podcast is building a toolbox as an investor. And one of the tools that is so valuable, jeff mentioned it, is creating friction as much as the Robin Hood movement is probably going to be a massive net positive for individual investors because trading fees have basically gone away. And even the selling the deal flow we pay for that still, right? It gets built into the prices we pay. It's still a lot less than five or $10 a trade and then add fractional investing on top of that. All of those things combined, like the net positive is there. It's so easy, right. There's no consequences to trading anymore, right? And it used to be it was like $10 or $20 to buy and sell, right? And that's a good friction to keep people from doing dumb stuff. And now all of that's gone.

Jason [00:16:57]:

So building friction in because this is andrew, to answer your question for, like, this is the biggest challenge that I've dealt with as an individual investor, is managing my need to feel like I need to do to be and you know, who's doing something. The people that are running the companies I own, let them do it, right? That's the thing. But still, when you're a person of action, you want to take action. So a couple of things that I've done. I've only recently put the Fidelity Brokerage app back on my phone, and I did it because I'm a contractor. I'm self employed. The only way to make contributions to my solo four hundred and one K.

Jeff [00:17:37]:

Is through the app or to drive to Fidelity.

Jason [00:17:39]:

I'm not driving to Fidelity. I do it through the app. So I have the app to do that. I don't trade on the app. I won't. I trade at my computer. Build in friction, for me, as close to rules as it gets. I have to wait at least, like two market days after I arrive at a decision before I can act on that decision, whether it's buying or selling, sometimes I break that rule.

Jason [00:18:02]:

It's more framework than rule, because, like we say, frameworks help you think rules tell you what to do. If you're an investor and you only do things based on rules, then you're ignoring what's happening.

Jeff [00:18:13]:

Right.

Jason [00:18:13]:

So I think that's dangerous. So I don't know how it probably answers your question with a lot more words than you needed.

Andrew [00:18:19]:

I bet if we got a scientist in here, he would say there's some science to sleeping on it.

Jason [00:18:24]:

Yeah, I think there's absolutely no doubt about that.

Jeff [00:18:27]:

No doubt. I think it's not just an investing thing. I think it's kind of a life thing, too. I was thinking about this the other day. There are very few big life decisions that you make with no sort of waiting. The analogy I was thinking of the other day was like buying a car. Jason and I were talking about this. I will sometimes rush into know, buying a stock maybe even a little bit quicker than I should.

Jeff [00:18:53]:

Now, granted, I'm not spending the amount of money a car costs on this, but I'll make that decision sort of quickly or with less research than I will when I'm buying new tires for my car. So I try to remind myself that the diligence I put into the new washer and dryer I need, I should probably put that diligence into an investment I'm going to make. So that's a thing that's kind of helped me, too. If I'm going to spend more time deciding which cheap socks I'm going to buy on Amazon, I should probably put that much thought into a big investing decision.

Dave [00:19:26]:

So true. I have friends that spend more time analyzing on Amazon whether they should buy this hat or this hat for a Christmas present than they do whether they should invest in this company or that company. Yeah, so true.

Jason [00:19:38]:

It's too right. So it's too easy. It really is.

Dave [00:19:42]:

I love the idea of friction. One of our partners talks about speed bumps, and he took the trading apps off his phones. The only way he can buy is to sit down on his computer. He has to turn it on. It just creates some friction. But I love that idea of waiting two days before you make a big decision. I think that's beautiful. I'm going to actually incorporate that.

Dave [00:20:00]:

So thank you.

Jason [00:20:01]:

You're welcome. Full disclosure, jeff and I, a recent episode we did. We were talking about some changes that Jeff's looking to make into his process. And we had a question from a listener asking, when a new stock comes on a radar, how long do we take before we take action? And I disclosed that I recently went from zero to a full position in 3 hours. So I don't always follow my own rule.

Jeff [00:20:29]:

Frameworks. Not rules frameworks.

Dave [00:20:31]:

Right. I'm going to go out in a limb and guess that you'd maybe done some work on it before you went from zero to three.

Jason [00:20:37]:

Not a bit.

Dave [00:20:38]:

Not a single okay.

Jason [00:20:39]:

Not a single bit.

Jeff [00:20:40]:

It was borrowed conviction from someone, somebody.

Jason [00:20:42]:

Else that I have deep trust in.

Dave [00:20:44]:

Okay.

Jason [00:20:44]:

Had done the work.

Dave [00:20:46]:

Fair enough. Fair enough. All right.

Jason [00:20:47]:

I'm not borrowing their conviction. I bought it. Trust me. I'll show you my brokerage.

Dave [00:20:52]:

You paid full sticker price, too?

Jason [00:20:53]:

Did full price.

Jeff [00:20:54]:

You paid for that conviction?

Jason [00:20:55]:

No, I think it's a discount, actually. I think it's a pretty good discounted price.

Dave [00:20:59]:

Time will tell, right?

Jeff [00:21:00]:

Time will tell.

Jason [00:21:01]:

That's right.

Dave [00:21:02]:

Time will tell. So what would you consider at this point, your, I guess, biggest investing mistake? Because we've all made mistakes. I'm an intuit and PayPal bag holder here, so we've all made mistakes. Not into.

Jason [00:21:17]:

I've got the scars. I had the tattoo, the intel tattoo removed. I can relate to that one. There was one that I made that really sticks with me because it's a good lesson in sometimes things come out of nowhere and you just can't fully see them. And this is know, diversification is a hedge against know if it was buffett or munger that said it, but it was a little bit kind of like, know what you're buying, buying like, kid, grow up. But I think it's actually if you just distill it down, it's actually, I think for most people, you should use it. And it's a company that manufactured I can't remember the name now. It's been the better part of a decade ago that this happened, but it was a company that made sapphire for screens, and they made the equipment that made the sapphire.

Jason [00:21:59]:

That's for computer screens and phone screens and that kind of stuff. Super durable, lightweight material, all that kind of stuff. So anyway, they signed this big deal with Apple, and at this point, the majority of their business was making the equipment, and it was also used for the solar panel industry, too. They used it for glass, for solar panel. There's all these applications for the different products that they were making, but sapphire was like, that was going to be the big one, and they were really getting good traction. Then they signed this deal with Apple, and this was when Apple was building the plant in Arizona, New Mexico, I can't remember exactly, but somewhere they're building this plant in the US. It was like a big deal. So they said, we need you guys to make the sapphire.

Jason [00:22:37]:

Use your machines. You guys make the sapphire too. You can do it in our factory. You can set up right there. Long story short, within six months, the company had filed for bankruptcy. They didn't have debt, they weren't heavily leveraged, except for to this deal, this long term contract with Apple where how much of it was the company, how much of it was Apple's standards? The truth is probably a little bit of both. Apple basically kept refusing, like, on quality assurance, the quality of the sapphire that they were producing. And management got to a point like, this deal is so ironclad, the only way we're going to get out of it is bankrupt the company.

Jason [00:23:13]:

They filed for bankruptcy, the company reemerged share. It was a 99% loss. I was incredibly, incredibly bullish on this company. But luckily, I was still young enough that even with it being a relatively large position size, it wasn't meaningful enough amount of money to cause permanent economic damage. But I'm really glad that it wasn't 10% of my portfolio. So that's one that really sticks with me. I'll have to look up the name. I can never remember the name of the company.

Jeff [00:23:38]:

It's hard for me to pick just one.

Jason [00:23:42]:

Well, ruffles bag full of yeah, well.

Jeff [00:23:46]:

But I think it's hard for me for two reasons, right? So one is that as someone who truly believes, you need more than even four years to know if you were really wrong about something. And I've only been buying individual stocks.

Jason [00:23:56]:

For just short of four years at.

Jeff [00:23:58]:

This point, so there's a ton of stuff I've sold that didn't go well and things I really had conviction in that I shouldn't have. A lot of that was just ignorance. When you start in the fall of 2020 and then 2021 is just this rocket ship of a market. So I would say generally my mistake has been over the course of my short stock investing life is just buying regardless of price. I bought some high flying the ones you used to see on Twitter with the rocket ships. I bought a lot of that stuff in 2020, 2021, I bought things for 30 times sales, 40 times sales. I mean, just ridiculous multiples because I didn't know any better. I still own some of those I've bought at better valuations for some of those companies that were still good companies.

Jeff [00:24:42]:

They just got totally overbid. But I think my general mistake has just been not paying enough attention to valuation. I guess if I was going to pick one stock that I ended up selling because I figured out I was completely wrong about it was I was very enamored with Stitch fix at one point. And the lesson I learned there was the end anecdotal evidence thing where I knew a lot of people who used it. My wife used it, a lot of my friends did. They said. Great things about it. I had gotten a couple of things from it, and as someone who hates to shop for clothes, I was like, wait, I can get this stranger or this bot to pick an outfit out for me.

Jeff [00:25:14]:

That sounds amazing. And I just bought into the anecdotal evidence hype and I didn't look at the business close enough. I didn't know enough at that point. Luckily, same as Jason, it wasn't like a huge amount of money or anything. But as I learned more, I realized, oh, this is not I can't buy stocks entirely on the fact that my friends use them. That's not enough of a thesis. That can be a starting point. So that's just one example.

Jeff [00:25:41]:

There were a lot of things that fit into that kind of category. Like Blue Apron is another one. Kind of the same boat. Like, we get the food boxes and we cook with them. And I was like, this is amazing thing. And I bought it and it didn't go well. So I think kind of bucket my bad decisions into paying too much and or just rushing into things that I was excited about because I knew them or used them without really understanding what the business does, how it makes money, what the balance sheet looks like, all that kind of stuff.

Jason [00:26:09]:

The name of that company, Advanced Technologies, by the way, it was 2014. They went bankrupt, but kind of bringing it full circle to a really good company on Semiconductor ended up acquiring their last assets back in 2021.

Dave [00:26:22]:

Okay, all right. We talked about mistakes. Maybe we could talk now and switch gears and talk about how do you pick companies, how do you decide this is the one? How do you go from zero to 3 hours or hopefully longer before you buy a company? What does that look like for you and Jeff? I hope this doesn't bring back bad memories for you or any sort of existential crisis.

Jeff [00:26:44]:

My process is simple. I find a company I like, I ask Jason what he thinks about it, and if he doesn't like it, I buy it immediately. That is my entire process.

Jason [00:26:54]:

It's probably a smart approach, if I'm being honest.

Jeff [00:26:58]:

So I can go through my process really quickly. And then I'll let Jason talk too much about his. So I like to keep spreadsheets. I'm a visual learner, so it really helps me to see over a several year period, like, what revenue is done, what does gross margin look like, what is the bottom line, free cash flow, all those things. So typically the first thing I'll do is if there's a company I'm interested in, for whatever reason, however it comes on my radar, I'll quickly build a spreadsheet just to see, and the spreadsheet will make little charts for me, and I just want to see trends. I fully realize that past results are not indications of future performance, but it gives me an idea of where the company has been, if it ever has been profitable, if it ever has had free cash flow, like all those kinds of things. That's one of the first things I'll do. I always go to a ten k, even if it's almost a year old at that point.

Jeff [00:27:48]:

Because if anyone has never read a ten k, the business section where it describes what the business does is more fleshed out in a ten k versus the ten Q's, you usually get like a truncated version in the quarterly reports. I like to read those. I like to see the way that they explain their business in that document. Sometimes I'll also just go to the website if it's a product that you can because I like to also see kind of how they pitch it to the world who aren't investors. Kind of get both sides of that. And then beyond that, I like to read the SEC filings. I like to read the earnings calls and then, you know, kind of like probably all you guys too. I have other people who I'm friendly with who I can bounce ideas off of.

Jeff [00:28:27]:

So all kidding aside, I will bring an idea I have to Jason and see what he thinks about it, see if I'm missing anything. I'm still new at this, so there's aspects that I know I have blind spots in my process, and I think that's something that everyone should be aware of for themselves. Even if you know a little bit about everything, everyone probably has some aspect of evaluating a business that is not their strongest. So I'll use other people to help me. Like, what am I missing on the balance sheet? Is there anything with the debt I'm not seeing? I ask a lot of people for their thoughts on valuation because that's something that, again, I'm still kind of trying to learn about. But that's kind of my process. It's worth saying I'm a starter position kind of guy, right? So I will kind of quickly buy a company, but not a lot, very little amount of money. Because once it's in my portfolio and on my master spreadsheet of all the stocks I own, I will keep track of it.

Jeff [00:29:17]:

I will check on it quarterly. I will update my spreadsheets. I will read the ten Q, the ten k, I'll read the press release, all that stuff. If I don't not in my portfolio, I won't. I know I won't. It's been four years. I know I don't. And then I kind of learn over time.

Jeff [00:29:31]:

There's a lot of companies where I bought a couple hundred dollars worth, and then a year goes by of me learning about it before I like, okay, now I'm going to take a bigger bite of the apple and put real money into this company. So that's kind of what I do. I just do a little bit of research on the front end, buy a little bit and then spend more time really learning about the company.

Jason [00:29:50]:

One of the things that I think is helpful for Jeff and I know is definitely helpful for me and something I try to do for Jeff when we do engage on is he might bring a stock to me that I absolutely love it. Like, I love it. And Jeff would never know, by the way, that I'm responding to them because it's all about disproving a thesis, right, as an investor. Because confirmation bias is real and we're wired that way and you can have 9 million reasons why something's going to go right and is going to be the next big thing. All it takes is one reason you're wrong and it doesn't matter. All the rights don't matter if there's one wrong. I spend a lot of my time now trying to poke holes in when I have these great ideas because I've had tons of great ideas that have been terrible investments. I think everybody can relate to that.

Jason [00:30:38]:

And it's the ones that I've felt a little bit like, man, put this thing through the wringer. And I'm just not completely sure, but seems pretty solid. And then I start building a position over time and then it turns out that's mercado Libre, right? Latin America and can they really operate in 15 different countries and they don't have great regulatory regimes and people don't have credit cards, how are they going to do it right? And it's the ones that you see the problems with that you work through and figure out how they're going to solve it and understand those risks. That's the biggest thing to me that's helped me become more successful over time. My strategy broadly, I think, is I built a bit of a barbell, and it's not a balanced barbell where half of it is in dividend stocks and half of it is in growth. The majority of it is in a little more stable cash flow businesses where they pay more of the cash flows out to investors in terms of like, my invested dollars, my cost basis. And I've put less cost basis into the growth stocks because I bought more of them. I've made more bets.

Jason [00:31:39]:

I own 94 individual stocks right now. I was over 120 about a year and a half ago. And as the tide's gone out with interest rates, we know who's swimming naked, right? So I've pared down a lot of companies that sure, if rates stayed low and capital was cheap, maybe they could have figured things out, but it's just pretty clear that they're not going to be the big winners. But anyway, so like Jeff talks about the starter position investing. I tend to do that with the disruptors and the growth ideas and then I get excited about eliminating them by way too much cost basis upfront and it doesn't work out great. But then on a serious note, I do put more money to work in the stable cash flow businesses, and I feel like that gives me the ballast. And the companies that if a company is paying a 5% or 6% dividend and they've been growing that dividend every year, holding steady the years that they're not able to grow it and, like, the track record is really good and management is prudent with their cash flow. If the market goes sideways for the next five or six years and we only get six or 7% annualized returns, I'm already getting that in dividends from this company.

Jason [00:32:40]:

That's going to be a really good stabilizing factor for my portfolio. If those Microsoft's or Apples that are wonderful business that are trading for really high multiples, maybe they just don't perform because their multiples come down even though the businesses perform fine.

Dave [00:32:56]:

Right.

Jason [00:32:56]:

So that's kind of how I think about my portfolio.

Jeff [00:32:58]:

Yeah. I think it's also worth mentioning the difference between Jason and I's investing style is 90% of my invested wealth. So this is my retirement stuff and my wife's. 90% of our combined invested wealth is in index funds. And that's just because I started investing when I got a job when I was 22 and I bought my first stock three years ago when I was 40, or four years ago when I was 40. So I can be a little I don't want to say loose. I can take bigger swings. I can be a little bit more risk on with the stock portion of my portfolio.

Jeff [00:33:34]:

And probably I should actually probably be a little more risk on with it if I think about the fact that it's 10% of my portfolio versus a very kind of safe and stable 90%. So I think that's a reason I'm sometimes a little quicker to jump into something or even put a little more money into something that's a little bit more risky just because my barbell is sort of that 90 ten of what's in index funds versus what's in individual stocks. I know Jason's fully invested in equities.

Jason [00:34:00]:

Entirely 100% stocks and cash. That's it.

Andrew [00:34:05]:

So, Jason, I'm going to correct me if I'm wrong, but I'm going to assume that when you had 94 positions, you weren't treating them all equally as far as time spent researching. Is there a difference in that?

Jason [00:34:18]:

Yeah, absolutely. I think that's important. So first things like because I'm also a professional, I'm writing about companies, I'm doing research for the fool, all of that part. I have 40 hours a week to do that that most people don't. Right. That's a cheat code that I have, but generally so, for example, Trex, I've been following the company for a decade, and I glance at their quarterly report usually about a month or so after it came out. Maybe a month after it came out. I can't remember the last time I read their ten Q, to be honest with you.

Jason [00:34:50]:

I'll probably read the annual report within three or four months of when it comes out. Maybe those kind of stocks, if they come down a lot or they go up a lot, then I don't want to let the stock price tail wag the Jason investor dog too much. But it is a signal, and you need to kind of figure out what's going on and see if there's something going on with the business that's either concerning or more compelling. But no, 100%, I would say probably a third of the stocks that I own that are my biggest winners, that I've held the longest, I give them very little attention because I know them very well.

Andrew [00:35:25]:

And knowing more isn't going to help you. In fact, there's somebody like Charlie Munger says, I guess he would argue that the more you know, it actually can cripple you because you become overconfident.

Jason [00:35:36]:

Yeah, absolutely. I think there's a major the law of diminishing returns applies very much when it comes to knowing everything about a business, because it does. It starts to cripple you. Jeff and I actually did one of our little rough cuts recently. I'm a big fan of the Brookfield entity of businesses, brookfield Corporations, parent company, brookfield Asset Management, brookfield Renewable, Brookfield I could go on right there's all these and there's been some short reports, and they have a ton of debt and they're a little bit opaque with related party dealings and all that kind of stuff. So it can be a little tough to really know what's going on, and it can be a little concerning at times. But that was the end of the day. The conclusion was, well, Bruce Flatt's been running the business since the late ninety s, and oh goodness, now I'm forgetting.

Jason [00:36:21]:

Oaktree Capital Management's founder sold his business to Howard Marks. Howard Marks. Thank you. Kind of need to trust Howard. Some of these people, you can trust them, right? They've earned some trust. And yeah, you trust them and you don't try too hard to look for things that maybe aren't there and just get in your own way.

Dave [00:36:37]:

That's good advice. So what would you wish you knew 20 years ago, or in Jeff's case, four years ago that you know now that you wish you kind of knew, that you could avoid maybe some of the mistakes that you made along the way?

Jeff [00:36:50]:

Everything I think for me, it's what I said earlier, which is it's hard to say. I wish I knew anything about investment. I mean, when you start, you don't know anything. I think everyone's in that boat, whether you start when you're 19 or whether you start if you're 40, at some point you're just kind of getting in without much knowledge. So I think the thing I wish I knew after the point of sort of understanding the basics is just the valuation piece. I wish I knew I shouldn't pay 50 times sales for anything. I wish I knew that. That, to me, is like, and I've been talking a lot about it recently with Friends and on our podcast.

Jeff [00:37:29]:

That's the piece I'm trying to learn more about next. I want to be able to make more informed and smart decisions about valuation of companies. So I know a lot more now than I did even six months ago, and I expect that to continue. So for me, it's just that I just wish I knew a little bit more about what's too much money to pay for a company because you can get away with it sometimes. If you have a long time horizon and you overpay for a small company and that company becomes huge, it's going to cover up a lot of sins. But I paid a lot of money for companies that were not in that boat, too. I think that's the big one for me is just understanding valuation.

Jason [00:38:06]:

Well, investing in that 2009 to really through the end of 2020, 114.8% compounded annual return market bull run, wallpapers over a lot of stupid decisions in your twenty s, right? I would say the one lesson that I wish I had have known, this isn't an investing specific lesson, even a personal finance investing specific lesson. It's a life specific lesson that applies to all of those things. But if in my had have known that you shouldn't spend money that you don't really have on things you don't want to impress people that you don't like, your life is a lot better over the long term. And that just means my life would be better today. I would have more wealth, I have plenty of wealth, I have a great quality of life, but life would be better all around.

Jeff [00:38:57]:

You just made me think of something else. I do think it's worth mentioning. I have a similar feeling about I had no idea when I was younger, like I'm talking when I got my first job in high school, I had no idea what compounding was. I wish someone had showed me that. All those charts that exist now, where it's like if you just save $100 a month from age, whatever, you'll have this much down. Because I contributed so little to my retirement account when I was first working, I didn't have a lot of money, but I had no idea I would have put 20 or $30 a month when I had my stupid high school job into a Roth IRA or something if I understood all that. So if I go back to the beginning of my whole investing life, my early 20s, that would be the thing. I wish I knew just how important starting and starting early can be.

Jason [00:39:49]:

Because I'm doing a math teacher and not a music teacher.

Jeff [00:39:54]:

Not paying much attention in my math classes is what led to that problem. But yeah, I mean, that would be the big thing for me. Going back to the beginning is just understanding how important it is to start early.

Dave [00:40:04]:

Those are both great lessons. Why this stuff isn't taught in school, I have no idea. It boggles my mind that we let people kids go out into the world not knowing how to write a check or to pay a bill or to balance a budget. And understand that when you go to the grocery store and you fill up the grocery cart and you go to check out, that there's a good chance there's more money in that cart than you have in your wallet. And that happened to me in college. The first time I went to the store, I didn't know how much everything was, and we filled up my roommate and I filled up the cart, and then we went to check out. It was like $300. Well, we didn't have $300, so the poor cashier had to ring everything, undo it, everything.

Dave [00:40:45]:

So, yeah. Why do you think they don't teach this stuff in school?

Jason [00:40:48]:

I mean, Jeff was a teacher. Come on, this is a whole nother podcast.

Jeff [00:40:52]:

If you want me going on this, here's my 32nd answer. I do think it has a place in school. It's hard to find the time to do it. There's a lot of things that school can cover, and I do think this is one of those things I do think is a little bit on the parent responsibility side of things, too. That's one of the reasons that Jason and I are so passionate about doing the podcast and having it be based on conversations and openly talking about struggles and things like that. We just did a two part series, which is now going to be over a month ago from when this comes out, I think, with Robert Brokamp from The Motley Fool about two episodes about investing with your kids. So trying to fix I don't want to say mistakes. I don't want to throw my parents under the bus here, but I'm trying to make sure my kids understand a little bit.

Jason [00:41:31]:

All of us dealt with with our.

Jeff [00:41:32]:

Parents a little bit more than I do. So, yeah, I think it could have a place in school. In fact, it does in a lot of states. I mean, I know here in New Jersey, we actually do have a high school two and a half credit financial literacy requirement. So there is some of that does get taught, and that's becoming more prominent in more states. I don't think it gets as much time as it should, in my opinion. I'd rather see that taught than maybe, like, I don't know, calculus. Like, who needs calculus? I hope I don't piss off all the math majors who are listening, but.

Dave [00:42:03]:

Probably not too much. There might be two or three that listen to us, so that's okay. We're kind of wrapping up. Where can people you guys are great, and you have a lot going on, so I guess where can people find more about what you're doing and the different things that you have going on. Definitely I waited for you to do that.

Jeff [00:42:21]:

All right, I'll go first. My personal Twitter handle is Market Musician. Really easy to remember. I tried to find the two things I was excited about when I joined Twitter professionally for my finance stuff. So market musician on Twitter is how you find me. You can find our show account at the Smattering Show that's also on Twitter. So those are the two places to find our podcast and then me and then Jason. You can give your handle too.

Jason [00:42:43]:

Yeah, so my Twitter handle is at the Smattering, and the show account is actually at Smattering Show.

Jeff [00:42:49]:

I didn't even know what our show account was.

Jason [00:42:52]:

Yeah, we have a YouTube channel, too. Just go on YouTube and look for the Smattering podcast and videos and you can find us. Pretty easy. That's about it. You'll find my Byline. Jeff's Byline too, over at the Motley. Fool. We do some of our work does show up on Too.

Dave [00:43:05]:

So awesome. You know, guys, this was truly a we really, really enjoyed talking to both of you guys. You guys are very smart and you're also funny, and that makes it entertaining. So we do appreciate you taking time out of your day to come talk to us. And I know our listeners will get.

Jeff [00:43:19]:

A lot of value out of this.

Dave [00:43:20]:

So thank you guys for joining us today. We really appreciate it. Thanks.

Jason [00:43:24]:

Yeah, this was great. Yeah, absolutely. If you're kind enough to ask us back sometime and subject your listeners to it again, remind me to tell you the story about the time that I cashed out a golfing with a guy that I didn't really like.

Dave [00:43:34]:

Okay, that'll be note to self. Yeah, count on it. It's going to happen.

Jason [00:43:39]:

We're big fans, guys. I don't think Jeff mentioned I want to mention it, too. Jeff, this was one of the first podcasts you ever listened to, wasn't it, when you started investing?

Jeff [00:43:45]:

Yes. If you guys will indulge me for one more minute. When I first got super obsessed with investing during the pandemic, those months, we were all stuck at home and I was googling constantly investing podcasts. Yours is one of the first ones I found, and it became in my regular rotation of things to listen to as I was trying to learn everything I possibly could. So it's a really fun kind of full circle thing for me couple of years later to be able to come on the show. So thank you for the invite. And I wanted you guys to know that about how important your show was for the beginning of my journey. So thanks.

Dave [00:44:19]:

Welcome. That's awesome. Thank you for sharing that. That gives me all the warm fuzzies and it also terrifies me a little bit, too.

Jason [00:44:25]:

Yeah.

Andrew [00:44:26]:

Makes my day. Thank you, Jason and Jeff.

Jason [00:44:28]:

Absolutely. Thanks, Andrew. Thanks, Dave.

Dave [00:44:30]:

All right. Thanks, guys.