IFB347: Listener Q&A - Exploring Amazon's Stake in Rivian and Strategic Investment Insights

Dave [00:00:00]:

All right, folks, welcome to Investing for Beginners podcast. Today we have episode 347. Today we are going to answer four great listener questions. Speaking of questions, if you have a burning question, do you want to ask us? You can reach out to us at newsletter investingforbeginners.com dot. I will put that link in the show notes. You can also ask us questions on Spotify as well as Twitter or X at IFB Underscore podcast. Send us those questions and we'll answer them on the air for you. So without any further ado, let's dive into the ones we got today.

Andrew [00:00:35]:

So here we go. Hi, Dave and Andrew. I loved listening to your podcast for many years. My understanding is that SIPC insurance only covers $500,000 per account. If an investor is approaching 500,000 in his or her Iraq, does he or she need to open a second IRA with another broker to be safe? If so, that would mean that a person with $2 million in iras would need to have four separate IRA accounts with four separate brokers and prepare to open a fifth. That seems like a lot. Thank you, Mike. So, great question, Mike.

Andrew [00:01:10]:

So, Andrew, what are your thoughts on the question Mike's asking and how can we help him?

Dave [00:01:16]:

Yeah, it's a awesome question, Mike. It does seem like a lot. And yeah, let's talk about SIPC. Worst case scenarios. It's everybody's favorite topic, right? I know it's mine. Maybe we can break down, like, what it is. Can you kind of like, briefly talk about, like, FDIC insurance? And then maybe we could talk about SIPC and how they're similar.

Andrew [00:01:37]:

Yeah, so FDIC is insurance that you get from your bank in the event, unlikely event, hopefully that your bank goes bankrupt. And so it basically protects your money in your accounts, up to dollar, 250 per account per user. So if you have three savings accounts, a joint account, and a checking account, each of those accounts can have up to $250,000 in them and they will be covered by FDIC insurance. This is free. You don't have to sign up for anything. It's just a part of your coverage when you open an account at any accredited bank. So if you go to Wells Fargo, Ally Bank, bank of America, you know, I don't know, chime, PNC, you name it, they all have FDIC insurance. And so that is basically what that is.

Andrew [00:02:26]:

So do you want to talk about SIPC?

Dave [00:02:29]:

Yeah, so very similar situation. In the unlikely event that brokerage goes out of the business, you are covered on the securities that you have up to 500,000 so you know I've got shares of Apple and Microsoft and Visa. I know that those shares and that value is covered. If Schwab goes bankrupt then I still have coverage up to 500,000. The reason that's important we saw with Silicon Valley bank and some of the other collapses is that these are businesses. They have to make money just like any other business. And so they can take risks that sometimes don't pay off in their attempt to make money. And so as investors we want to protect ourselves from that.

Dave [00:03:17]:

And that's why SIPC and FDIC are great protections for us to help us be able to build wealth while not taking on that risk ourselves. Took to Mike's question. Do you have to have four different accounts with four different brokers? And based on what I've seen from sipc.org and they kind of break down a lot of the information. They have a great faq if you have further questions. But they did mention, yes, if you want protection for each account needs to be at two different brokerage firms. And so I mean you can certainly run the risk of keeping everything in one account just to keep things easy. But if you do want the full protection. Yes.

Dave [00:04:02]:

You do have to do it. Yes. It is kind of a lot. But there is good reason for that. You can diversify your worst case scenario risks by doing that.

Andrew [00:04:12]:

Yep. Absolutely. So one thing that I think we probably should make clear is that this does not cover losses in your brokerage account. So if you're investing in Microsoft, Apple and Visa, as Andrew was mentioning earlier, and those all do poorly in the market, this does not cover those losses. This is only in the event that fidelity goes bankrupt and you can collect your money so you can't use it as a hedge for making poor decisions for your investments to try to recoup your money. So just to make sure that, you know, anybody out there listening understands that this really has to do more with the bankruptcy of the particular brokerage, not your actual investments. Yeah.

Dave [00:04:55]:

That's super good clarification.

Andrew [00:04:57]:

That's because I can just see some, oh, hey, you know, I can go invest in super risky stuff and then if it doesn't do well, I got this insurance that'll cover me. Yeah. Unfortunately that's not how that works.

Dave [00:05:09]:

And actually not everything's covered like you might think they mentioned, like gold and silver coins don't qualify as securities. And I'd be interested if some of the newer securities and air quotes, if any of that stuff's covered. And, you know, that could be a whole can of worms but I. E the crypto.

Andrew [00:05:28]:

Yeah. Don't know how that gets classified. So yeah, that would be an interesting question to probably dig into to see if that stuff does qualify. Yeah, it does. Specifically say stocks, bonds and money market accounts are covered. Everything else beyond that is a little more vague. Yeah.

Dave [00:05:44]:

So their website thinks a great resource for that. You know, maybe you think if somebody really is more concerns on that, talking to professionals, a good way to go about that.

Andrew [00:05:54]:

Yep, for sure. And the last resort, and I know nobody really wants to do this, but you can always call your brokerage account and ask them because they're knowledgeable about this. This is their business, they will know. So if you have a question about whether either the amount that you have in the account is covered or

whether the specific securities that you're buying are covered, you know, the last resort, if you really have to, you could call the brokerage and talk to them and I know shock they would know the answer to that. They should. If they dont, then that might be another sign thats maybe time to find another brokerage.

Dave [00:06:31]:

Yeah, 100%.

Andrew [00:06:32]:

One last thing I wanted to throw out there too is a while back we had somebody ask us about this topic related to Australia and the brokerages in Australia. One of the things the website that Andrew mentioned is they have a search function so you can go and search. So if youre not in the United States and youre not sure, lets say that youre investing in Brazil, for example. If you're not sure if the brokerage you're using in Brazil has this coverage, you can use the site to search for it and they'll give you some guidance on whether or not it does. Again, you can always call the brokerage and ask them specifically and country by country, they may not all be covered. So, and not every brokerage in the United States is going to have that insurance as well. So if this is something that's important to you, it probably would behoove you to do a little more digging before you pull the trigger and start putting your money into a brokerage. You're not sure whether they have this insurance or not.

Dave [00:07:21]:

Yeah, fantastic advice.

Andrew [00:07:23]:

All right, so let's move on to the next question. So here we go. Hi, Dave and Andrew have been enjoying your podcast. Question in regards to growth stocks and dividend stocks. I am 45 and have my four hundred one k and index stocks started a fidelity roth IRA and have been doing mostly individual growth stocks, crowdstrike, Tesla. I am diversified into consumer, discretionary and real estate as well as I near retirement, hopefully 62 to 65, would it make sense to move towards dividend paying stocks, ie, three M, Verizon, et cetera? My goal would be moving towards an income stream as I get closer to no longer working. Is this a sound strategy? So great question and I'm going to let you take first swing at it.

Dave [00:08:06]:

Sweet.

Andrew [00:08:07]:

Yeah.

Andrew [00:08:07]:

If it was me, I would try to look at like what's my overall financial picture? And I know that's not as fun as talking about the individual stocks, but I think there's some truth to it we have to remember about the stock market is in the short term, it is a wild, crazy person. So if Im going to retire in three years and Im going to need like I want to sell some of those stocks that were talking about in three years, then youre kind of rolling the dice a little bit on which mood of the market youre going to get when youre trying to sell some of those things. But if you have a portfolio and youre fortunate to have a lot of resources where you can just live off the income of the portfolio and you dont have to sell anything as you retire. Yeah, I mean, thats the cloud nine of investing right there is to be able to have income from your dividend stocks to support you in retirement. But if your financial situation isnt conducive to that, then it might not be a good strategy depending on your time horizon and depending on when were talking about retirement. What are your thoughts on this?

Andrew [00:09:15]:

I have lots. I mean, its a great question. And overall, something that may be kind of crazy idea. But he's 45. Let's say that he goes to 65. So that's 20 years. If you're investing in these companies, a lot can change in 20 years for those three companies in particular. And Meta is probably closer to what I'm going to say than the other two.

Andrew [00:09:36]:

Maybe. At this point, I don't think it's outlandish to think that Meta in 20 years will be paying a dividend. And I don't think that's crazy to think. And it could happen for the other two as well. So thats one thing to consider as youre building your portfolio is some of the companies that youre looking at. Every company has a lifecycle that they go through. And if you look at the three that he mentioned in the group, I would say that Meta is probably more on matured side than crowdstrike for sure. And Tesla to me kind of sits in the middle of the three.

Andrew [00:10:11]:

So as those companies go through their life cycle, they may start having more cash than they really know what to do with. And Meta's case, because they're so capital light and because they make a lot of money, they will have discretionary cash at some point. And so they would have the option of either buying back a lot of shares, you know, like an autozone, or they could pay a really big dividend and or they could do both.

You know, who knows? But I guess my point is, is that when you're building your portfolio and you're thinking, okay, I want to have these growth stocks, but maybe as they get closer, I want to maybe switch. You can also try to look at some of the growth names that you're investing in and see if you think that it's potentially in five or ten years down the road, they could be paying a dividend. That could help you maybe not have to switch from a fast grower like a crowdstrike to a three m who's not growing at all. That can be one way to think about it too. And I guess the other way to think about it is if you're going to go towards dividend paying stocks, I would try to find ones that are at least growing as fast as the economy, the GDP of the United States, if you're investing in the US.

Andrew [00:11:21]:

So the least are going to, because you're going to get, with the dividends, you're going to get a seven to 9% return depending on the company. And so why limit yourself to just a dividend paying stock just because it pays a dividend? Because if you get a company that's growing less than the GDP, that's not optimal for longer term returns. And the reason why I'm saying that is if you retire at 65 and you live until you're 90, that's 25 years. You got to make that money work for you. And if you're buying companies solely on the fact that they're going to pay you a dividend, they're not growing themselves. And then that's kind of doing your, I feel like is doing yourself a disservice by not trying to at least continue to expand your portfolio. I know there's the numbers behind the 4% rule and those kinds of things, and that's all great. But I think as we are living longer with the advances in healthcare and just a healthier lifestyle that people seem to be moving towards, I think it behooves us to think about trying to think of our portfolio maybe a little bit differently.

Andrew [00:12:28]:

I'm not saying go hog wild and buy all kinds of growth stocks as you get closer to retirement. But I'm just saying that maybe you can strategically start to put a Google or Microsoft as a dividend paying stock, even though Google doesn't do it yet, it's probably, they're on the road to it as well. And so I think kind of thinking strategically about that, that's kind of how I would try to look at it and that's what would probably drive some of my investment decisions.

Dave [00:12:54]:

Robert, there can be a little bit lost, like you said, with the 4% rule. Part of that 4% rule kind of assumes that your portfolio earns 10% a year, right? How can your portfolio earn 10% a year if you have all dividend stocks.

Andrew [00:13:07]:

That cant even match GDP or bonds? You just cant, right?

Dave [00:13:12]:

No, thats a very good point.

Andrew [00:13:14]:

No, you cant. I mean, if youre doing, he has index stocks, right? And his 401K, those can in theory can grow at 8910 percent a year. But depending on how you structure the individual portion of your portfolio versus the index funds or the 401K idea, that can have a bearing on what kinds of things you want to try to play with and how conservative you want to be. I think there's some rationale and some logic and probably some smarts about trying to be more conservative as you get, because to your point, the market can do a lot of crazy things in a very short amount of time. And if you don't have enough time to recover from that, if you're 25 and the market drops, but if you're 57 and the market drops, that's more of an issue. So you have to think about those things kind of strategically as you're trying to build your portfolio. It's not just, hey, I like the shiny stock and you buy it. I think you need to probably think a little more strategically, if you will.

Dave [00:14:12]:

Yeah, so super good point.

Andrew [00:14:16]:

All right, so let's move on to the next question. So we got dear Andrew and Dave, I love your show and newsletter. I have been subscribing for over a year now and slowly have been learning to do analysis on businesses. I have lately been looking into three m and they had an impressive performance during the pandemic, but ever since have been slowly declining. Everything I read about them seems to me like an undervalued stock with a lot of upside potential. I would love to hear your take on such a company. I am not sure if this is the sort of company you like to look at and analyze on your podcast. And this is from maid.

Andrew [00:14:49]:

So this is a great question. Yeah.

Dave [00:14:52]:

Thanks for writing in maid. Just to be clear, I like to analyze all companies.

Andrew [00:14:55]:

Yes.

Dave [00:14:56]:

On my podcast.

Andrew [00:14:57]:

Right. Yeah, we don't discriminate.

Dave [00:14:59]:

So this is very interesting. Maybe we could do like a kind of abbreviated, abbreviated bird's eye view. Yes. Thank you. So just kind of to walk you through, like, how I would approach looking at a business like this. I know Dave will probably share some stuff about using Finchat. It's a fantastic website for getting a quick snapshot of a company. I also use.

Dave [00:15:22]:

Quickfs.net is another one of the tools I use. So if I type in three m into quickfs.net, something that I see right off the bat that sticks out to me is a huge drop in the earnings per share. So for 2023, its a minus $12.63 for a company that usually earns seven $8910 per share a year. So that would be the first thing. As I create a list of questions about the company, I would definitely want to know, why did the company lose money to this extent and what were the factors, and does that affect how I feel about how expensive the stock is and how much upside potential do I think it has? So thats kind of, like, my first impression as I look and I use a tool to look at. At the overall picture of a stock, and that's the first thing that stands.

Andrew [00:16:16]:

Out to me personally. Yeah, it's pretty insightful. Yeah. I like to use Finchat IO and a freemium website that offers lots of great insight into companies, and it's super easy to use. And to Andrew's point, you can look at the income statement here on their website, and you can see that the earnings dropped by quite a lot, and in part, it's due to legal expenses. So they've. They've had some legal struggles for the last few years, and these are some of the conclusions of those. So they had some fines they had to pay, and that's what's kind of killing them with that.

Andrew [00:16:55]:

The big thing that jumped out at me looking at Finchat, they have this nice dashboard at the top that gives you, like, a snapshot of kind of the financial condition of the company. And one of the things that jumped out

to me right away because it's always the first thing that I look at is the revenue growth of the company. So if you look at the three, five, and ten year revenue growth rates for the company, according to Finchat, they're all less than 1%. So it's growing. It's been growing demonstrably less than the GDP of the United States over the last ten years. And to me, that's not a great sign. And so that would be something that I would like, I'd want to understand a little bit better why they're trending that way and why it's been kind of flat for all these years. One thing we have to remember is the market can be very volatile, but a lot of times where the market gets it right, and this company has seen a staggering drop in the return that you would have gotten over the company.

Andrew [00:17:53]:

Now, there's been some spinoffs of the company, so this isn't going to be exactly apples to Apples, but the company, according to Finchat, over the last ten years, has had a negative return compared to the market. And even if you kind of factor in some of the spinoffs and everything they've done, it's still not been a great return. If you've owned this company over the last ten years, and I'm not saying that, like, to bash anybody that owns the company or think that, hey, this is not something, but those would be questions Andrew was mentioning. Questions. Those would be questions I'd want to get answers to, like, why has the company underperformed the market over the last ten years? And why is the revenue growth so flat? Is management the same? Are the products that they're putting out just not as popular as they used to be? What is driving these kinds of things? The three M has been around for a very long time, and it's a dividend aristocrat, I believe, and they pay a strong dividend, but that's partly because the stock price keeps dropping so much. So the dividend, they aren't changing the dividend, but the yield is going up because the price of the stock is dropping, and that can be a sign of a potential value trap. So these are all questions that I would want to answer before I would make a decision on. Hey, is this something I want to buy or not? Yeah.

Dave [00:19:11]:

Just to keep pulling on that thread, one of the line items is dividend growth. And so I can see years of like 35%, 20%, 8%, 15%, and then a slow decline and then 2020, 2%. 2021.70. .70.7. So another question to ask. Why did this company used to grow dividends so fast? And now its moderated, and basically its like a stifled growth. Now, whats contributing to that? And what are they doing? By paying less of a dividend, youre basically freeing up cash for management to work with. So what have they been doing with that cash as theyve slowed the dividend growth down.

Andrew [00:19:56]:

Yeah. Those are questions you want to answer, right?

Dave [00:19:59]:

Yep.

Andrew [00:19:59]:

Yeah. I mean, if you look at the free cash flow of the company over the last ten years, its been fairly steady. So there really hasnt been much change in the free cash flow the company has been generating. But I think that also goes to theyre not growing revenues either. So if the revenues are flat, it kind of makes sense that the free cash flow would be flat. And maybe without looking super deep, they may be using the money in other ways, whether it's buying back shares or cash acquisitions. I think more recently, some of it has to do with the legal stuff because even though they're paying the fines, they're also still paying some serious lawyer bills too. So that's got to be hampering some of their profitability, I guess is the best way of putting it.

Dave [00:20:45]:

Yeah, 100%. So, you know, anything else that really stands out when kind of take a big picture bird's eye view, look at the financials of this company, I guess.

Andrew [00:20:56]:

Those are the things that really kind of shine out to me. I guess one positive is their balance sheet seems to be pretty decent, and I don't see anything glaring on the balance sheet that gives me pause. I mean, they have some debt, but it's not horrible. So those kinds of things don't make me freak out. But the biggest questions are the ones you brought up and the ones that I was thinking about as far as related to the revenue growth and how that's going to impact them going forward. Yeah.

Dave [00:21:26]:

And I would like to say, too, that the questions that Dave and I are asking ourselves comes from our frame of reference, of the type of investors we're trying to be. So Dave and I tend to like companies that we can buy and hold for a long time in an ideal world that can compound the capital themselves and we don't have to be trading in and out, but for somebody who's a value person, who goes deep into the value and wants to be in and out of a great opportunity, then three m could be an opportunity at any time, depending on what's the price. The price is right if the price is right. But that's a completely different strategy. So those are completely different questions that somebody would ask. And so you can really get a couple people looking at the same elephant and see completely different parts of that elephant because we're from a different frame of reference trying to achieve different things.

Andrew [00:22:20]:

Yep. That's a great, great, great point. And I think people need to keep that in mind, the question was asking if we felt like it was undervalued. And that really goes to understanding the financials of the company and where the company potentially is going. And to Andrew's point, the way we invest is we're looking for companies that can continue to grow the value for a long period of time. But something like this may be more along the lines of, and I'm not saying it is, but it could be more along the lines of a cigar butt, you're looking for a briefer, deeper value, get a ten or 20% return over a couple of years, and then you're out kind of thing, trying to get that last puff of value out of the business. And the other type of investor, if you're an income investor, this is a company that has paid a dividend for a very long time. It's got a nice yield, albeit because the stock price is falling, not necessarily because they're growing the dividend.

Andrew [00:23:15]:

So those are all things to consider, but depending on your comfort level of riskiness, this could be a company that could fit that modus for you. So it really just depends on what strategy you are and what you're trying to look for. But I think these are great questions to ask yourself, kind of irregardless of where you're, what kind of investor you want to be, because you want to know that when you buy a company, you don't have to look over your shoulder every single second just to make sure that something isn't coming.

Dave [00:23:43]:

Yeah, I mean, you mentioned, like, the income part of it. You never want to call any equity a bond substitute, but does it kind of feel bondish to you a little.

Andrew [00:23:56]:

Bit, you know, at this point?

Dave [00:23:57]:

Yeah, if the balance sheet is sound, which appears to be the brand's probably not going anywhere. I feel like I see it everywhere at Home Depot. So, yeah, you know, and that's just a small sliver of everything that they do.

Andrew [00:24:09]:

Right.

Dave [00:24:10]:

Um, so to your point, yeah, income generation and all of that could be an attractive alternative.

Andrew [00:24:15]:

Yeah, for sure. I guess the last thing I'll throw out there is I mentioned earlier this idea of a life cycle, and if you think of three m, to me, they're definitely on the downward side of their life cycle. And so they need to figure out what they can do to reinvigorate the business, to make it more attractive to people buying their stuff. And until that changes, the trend that they're on is probably not likely to move much. And so you just have to remember that every company goes through that life cycle, and we have to be cognizant of that when we're investing, because it takes on a different connotation when you're thinking about where this company is versus another company. Yeah.

Dave [00:24:58]:

Do you see industries kind of going through similar life cycles as well, or is it.

Andrew [00:25:01]:

Yeah, I think so. Yeah. Yeah, for sure. You see, some of the more manufacturing type things are becoming harder places to invest than they may have been 20 years ago. Commodities in particular. Oil, I think, is very volatile, and it's probably a lot harder to invest in oil than it was 20 years ago. And so I just think you're just always going to see progress also brings change, and sometimes progress means that other things have to recede. Not everything can be the best top all the time.

Andrew [00:25:31]:

Yeah.

Dave [00:25:32]:

And to your point, I mean, consumer preferences change as well. So what people were putting money on ten years ago, they might not be investing in the same capacity today.

Andrew [00:25:42]:

Right.

Dave [00:25:43]:

I say investing like customers buying stuff.

Andrew [00:25:46]:

Right? Yep. Exactly. Exactly. All right, let's move on to the next question. So we have.

Dave [00:25:51]:

Hello.

Andrew [00:25:52]:

I always appreciate the information you guys cover on the podcast recently, looking at WSO Watsco and noticed about 12.5% of their eBit, or earnings before interest and taxes is taken out in minority interest prior to net income and thereby decreasing free cash flow. Would love your take on minority interest and whether it plays a role in your decision to buy a company. Are there any other considerations with minority interests? Thank you, Seth. So, great question, Seth. And I'm going to turn it over to Andrew to take first stab at this.

Dave [00:26:23]:

Yeah, so Wotsco is one that I recommended back in late 2022. And just to be completely transparent, I did make this same mistake. So I overvalued the company by about twelve and a half percent because I did not subtract the minority interest from the free cash flow estimate. And so that's. I think it's a good lesson for anybody who's looking at the financial statements to really make sure you're not missing any line items. And unfortunately, those can be different with every company, and so you just have to stay vigilant on that. So the minority interest itself, uh, maybe we could start there and kind of what that means and then why not? Like, why it's accounted for that way? Obviously, we don't set the accounting rules, but, like, kind of what's the logic behind the way it's presented in the statements?

Andrew [00:27:18]:

So, yeah, minority interests can be very confusing. And if you come across it in a company and you don't know quite what it is. I guess the easiest way to break it down is when companies. When Berkshire Hathaway makes an investment in Kraft Heinz, for example, and they don't buy the whole company outright, then they own a minority interest in it if they own less than 50%. So if they buy 49% of Kraft Heinz, which they. I think it was 33% or I'm not exactly sure what the exact percentage is, but it was less than 50%, then they have to account for differently on their income statement and their cash flow statement and their statements of equity, their balance sheet. And so it can get a little convoluted. And Berkshire also made an investment in TPC, total gas, something.

Andrew [00:28:13]:

Some of these big gas stations that you see on the highways. If you drive a lot like me, then you'll see these companies. Berkshire bought less than 40% of those a few years ago. Now they own 80% of it, and they're going to buy 100% soon on their statements. Before this year, they had to account for that on their income statement as part of their earnings. And now that they. More than 50%, now it just gets lumped into their earnings just as all part of the earnings. And so it's not one of those line items you need to pay attention to, kind of like what we're talking about with Watsco.

Andrew [00:28:48]:

So that's really kind of the gist of it, is that if a company buys a portion of another business, they have to account for it differently if they own less than 50% of it. If they own 50% of it, then it can just get lumped in with the rest of their income statement as part of their income and earnings. If it's less than that, then they have to have separate line items to denote that. So we, as investors, know that this is contributing or harming the business.

Dave [00:29:14]:

It can get really complicated because you can have the Berkshire situation, where Berkshire's taking a minority interest. They could also buy the stock of Kraft Heinz, which is a completely different line item. Or we could have, like in Wattsko's case, where Watts goes the majority owner, and then they have to list the minority owner in the line item. So probably not the best. We could probably do a whole course on this, right? Whole module and harder to understand on the podcast, but I'll do my best. So, in the Watts goes case, like I said, they have a lot of joint ventures with carrier. So Watsco is an industrial distributor, and carrier is the OEM, the manufacturer. You've probably seen their brand on different h vac units.

Dave [00:30:00]:

So a lot of their joint ventures have a scenario where Watsco actually is an 80% owner of the, think of it like the store. It's not quite like this, but like a storefront where they're selling the units to contractors and then carriers keeping 20%. And so in that case, like Dave said, all of the earnings of that store will be lumped into Watscos financials. And then you have the consolidated net income, and then the money that Watsco has to pay to carrier for carriers, 20% comes out in a line item, and then that's where you get the final net income attributable to Watsco. And so to Seth's point, that's just on the income statement side. The cash flow treatment is a little weird, too. So I'm not going to speak for Berkshire's case, but for Watscos case, and pretty much to the core of Seths question, the money thats taken out of the net income in the income statement partially comes from the cash flow from operations and partially cash flow from financing. And

so you run the risk when youre estimating free cash flow, which, if youre using a DCF, thats what you would do.

Dave [00:31:09]:

You run the risk of accidentally lumping that into operating activities instead of financing activities, and that can and skew your ending valuation. So really insightful. Really a great observation, Seth. You're right on the money. That's how I would consider is make sure you look at how it's accounted for, and then you check with the cash flow statement and make sure that it makes sense and that it's not artificially inflating or deflating free cash flow.

Andrew [00:31:36]:

Yep. Yeah, exactly. And one of the things that I noticed when I was kind of reading through Berkshire's statement this morning is if you use our friend control f on a financial statement, you can find all the references to minority interest. It's also known as non controllable interest. And so if you look at under those terms, you can find everything that they say about it in the financial statements, in the ten k or the ten q. And most of the time, you will find it in the notes to financial statements. And in some cases, depending on the severity or involvement of the particular company in these companies, youll see a lot more detail and a lot more explanation. And in some cases, like with Berkshire, you also, they, you know, Warren and Charlie were also mentioning their intentions to buy more of this particular company that I was talking about.

Andrew [00:32:28]:

So their investment in Kraft Heinz is what it is, but the other ones, they were talking about. This is what were going to do. Were going to buy more than this, were going to buy more of this and this is whats going to happen. So that, you know as an investor that this is going to become part of their overall plan to grow the business and how they chose to structure the financing of it will also be disclosed and all that. So you understand what it is they're really doing. And companies have to tell you what's coming. So you can appreciate if I know Amazon owns a small percentage of Rivian, for example, I don't think their intention is ever to buy in the entirety of Rivian. And so that's going to be just a part that sits on Rivian's balance sheet or income statement as well as Amazon.

Andrew [00:33:16]:

So that's just part of doing business. But you will encounter this. But it's something you probably, we need to make sure that we pay attention to.

Dave [00:33:23]:

I for one would love my Amazon packets delivered in a rivian. Awesome.

Andrew [00:33:31]:

I. Yeah, you know what, to that point, I saw two Rivian trucks when I was in Minneapolis because the Amazon fleet there were buying a bunch of them to use for their deliveries there.

Dave [00:33:42]:

Oh, so that's like actually.

Andrew [00:33:44]:

Okay, it's a thing now.

Dave [00:33:45]:

I didn't know they actually do like the big old delivery trucks.

Andrew [00:33:49]:

Yeah, like, you know, like, you know the, the Amazon trucks that drive through the neighborhood and whatnot. Yeah, yeah. I saw two of them and one of the people I was talking to said that they were asking the driver about it and the driver said it was awesome. You know, they, they take it out all day. They don't need to charge it and they charge it at the end of the day and, you know, it's super easy to maintain. It's right there for them and they know it's going to be ready to rock the next morning. So just makes their lives a lot easier.

Dave [00:34:16]:

Want to know how much to pick up? You know, what's the torque? Torque situation? How much are these packages weighing you down? Is there a toy ride on the way home? When sharks empty wiring, minds want to know. So, you know, a lot of this stuff can get kind of confusing. Minority interest free cash flow. What resource would you point people to if they want to learn more about using getting into the nitty gritty of this stuff?

Andrew [00:34:41]:

Well, I think the most obvious place would be go to our website, einvestingforbeginners.com dot. We have this very big search bar at the top of the page and you can type in free cash flow. You can type in ebit. You

can type in minority interest or non controllable interest. I believe one of us has written an article or two about this, so there is plenty of information there that can help you kind of decipher some of the lingo and language we were talking about today. That would probably be the place I would send to everybody.

Dave [00:35:08]:

Okay.

Andrew [00:35:09]:

All right. Well, with that, let's go ahead and sign off. So I want to thank everybody for taking the time to send us those fantastic questions again. We really appreciate that. And if you do have a question, reach out to us at newslettereinvestingfor beginners.com. Dot Spotify also allows questions and x. You can send us questions at IFB Underscore podcast. So with that, we'll go ahead and sign us off.

Andrew [00:35:32]:

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.

We hope you enjoyed this content. Seven steps to understanding the stock market shows you precisely how to break down the numbers in an engaging and readable way with real-life examples. Get access today@stockmarketpdf.com until next time have a prosperous day. The information contained just for general information and educational purposes. Only it is not intended as a substitute for legal, commercial, and or financial advice from a licensed professional review, our full disclaimer@einvestingforbeginners.com.