IFB351: Listener Questions Answered - From Financial Planners to Debt Ratios

00:00:32 Dave

All right, folks. Welcome to Investing for Beginners podcast. Today we have 4 great listener questions. We're going to answer. And yes, Andrew is back. The baby is good, Andrew is good and we're going to have some fun today. Sue, let's go aead and dive into the first question. So the first question is how to select A financial planner.

00:00:52 Dave

So, Andrew, do you want?

00:00:53 Dave

To go ahead and take first stab at this.

00:00:57 Andrew

Well, that's kind of hard because I've never selected one.

00:01:02 Dave

Have you? I never have personally. No. But I think I I think I have some questions. I probably would ask.

00:01:10 Andrew

OK.

00:01:12 Dave

So I guess the first thing I'd want to know is what is their?

00:01:18 Dave

What is their?

00:01:20 Dave

You know what kind of plan do they have for me? Like, I want to know.

00:01:25 Dave

Like, what is their background? What do they specialize in? Can they help me with more than just investments? Can they help me with maybe budgeting? Can they help me with insurance? Can they put me in contact with a advisor for taxes?

00:01:42 Dave

So I guess I would want to know some of those things. I probably also want to know what they're investing philosophy is. Are they super bullish on Bitcoin? And I don't want to invest in that kind of stuff. I guess, you know, trying to make sure that we have an.

00:01:58 Dave

Alignment of what?

00:02:00 Dave

I want from my hard earned money.

00:02:03 Dave

And I guess what they're looking to achieve as well, I want to know those things. What about you?

00:02:09 Andrew

So question for you then where do people go to find the financial?

00:02:12 Andrew

Planner.

00:02:14 Dave

Well, there's, I think there's a variety of sources. The first one is your bank, depending on where you bank, the banks will have financial planners that can help you. For example, when I worked at at Wells Fargo, we had financial advisors not in every branch, but a lot of branches had a financial advisor that you could sit down and work with.

00:02:35 Dave

There are brokerages out there that also have financial planners and financial advisors that can that can work with you. Some of the some of the more retail based ones like oh, I'm going to blank on, I'm going to blank on the two. I'm thinking of darn it, I drive by them all the time and I'm.

00:02:55 Dave

I'm completely blanking on him.

00:02:57 Dave

But there are there are like kind of standalone brokerages that also offer financial planning as services as well. You can also find them through investment bankers as well. So those are some resources you can you know Google it if you will but.

00:03:17 Dave

I think.

00:03:17 Dave

I.

00:03:17 Dave

Would probably encourage people not to.

00:03:20 Dave

To just take the first person you talked to, I think like anything else you want to interview at least two or three people before you make a decision on what you're looking for. As far as a financial planner or an advisor, and I think the big question also would be what kind of fees do you charge? Like how do?

00:03:39 Dave

You make money.

00:03:40 Dave

And making sure that they're aligned with what you're aligned with. And I guess the last one that kind of pops into my mind is our friend Jeremy Schneider built up a service called Tangerine that a lot that they help you find financial planners and advisors.

00:03:58 Dave

On a kind of as needed basis. So instead of having somebody that is managing your money on a constant basis, they can find help you find, you know somebody that can help set you up for, you know, a 2 hour plan if you will. You pay a flat amount for that.

00:04:16 Dave

I'm that you're with that person, and then it's kind of on you to do the rest of the work, if that's what you want to do. So I know that that's a, you know, a good way to look at it as well.

00:04:28 Andrew

I I like that idea. I mean, unless you have somebody you feel like you know really well and trust really well, the idea that kind of.

00:04:35 Dave

MHM.

00:04:39 Andrew

Buy a la carte. It feels like a newer idea and it kind of makes a lot of sense.

00:04:47 Dave

Yeah, but I mean the, the, the, the, the planner slash advisor model.

00:04:52 Dave

It's kind of based on kind of the old school mutual fund idea where they charge a fair amount of money for managing your money for you. And I think in this day and age of ETS and index funds, that's not.

00:05:06 Dave

As necessary as maybe it used to be and so, but I don't think that the industry has really adjusted to that reality. And so I feel like there are, I'm not saying they're bad planners out there, there are some, but there are some that the company charges a lot of money to really not do much. And I think that that.

00:05:26 Dave

Is something you probably strongly want to avoid.

00:05:30 Andrew

Are there certain places and then investors journey where a financial planner makes more sense?

00:05:38 Dave

Yeah, I think, yeah, I I think once you start to have some like you start to build up some assets and you start to have.

00:05:38 Andrew

Certain time periods.

00:05:48 Dave

Some decisions you need to make as far as how you're going to allocate those finances and.

00:05:55 Dave

Maybe how you're going to manage that, because I think they're well, I guess kind of talking through this. I feel like there's probably two different kind of stages. There's the accumulation stage and there's the distribution stage and the distribution stage as you get closer to retirement, I think you definitely want to talk to a planner to help you set.

00:06:17 Dave

Not only how you're going to use the money as you get closer to retirement, but maybe also how you have your portfolio set up so that once you get into retirement, it can continue to work for you efficiently and effectively and also somebody to talk to you about taxes and insurance because those are two things that don't get talked a lot about.

00:06:38 Dave

But especially as you get.

00:06:39 Dave

Closer to retirement and it let's say you have a lot of money in traditional.

00:06:44 Dave

Brokerage accounts or traditional, you know, IRA's you're going to, you could be looking at some serious money you owe to the government because of how those are structured. And I would want to talk to somebody to help me work through that so that I can do it, you know, efficiently and effectively. We obviously don't want to skirt your taxes.

00:07:04 Dave

But by the same token, you don't want to give Uncle Sam any more than you.

00:07:08 Dave

Really have to either so.

00:07:10 Dave

There's a fine line, and if that's not your damn, you definitely need to talk to somebody. And I think also structuring your portfolios as you get closer to retirement so that it's a little more anti fragile, shall we say I think would be highly, highly prudent thing to do and that's something that a financial planner.

00:07:29 Dave

More an advisor could do. We had James Canola on a while back and that was one of his specialty.

00:07:35 Dave

And I would strongly encourage you know if you're in that position right now, reaching out to him and talking to him because he would be a great resource if he doesn't actually do it for you, you probably would know some some places that you can go to find help for, for those things, so that that to me is like, I think the biggest time that you would want to think about having that.

00:07:56 Dave

You know, depending on what your life is like, if you've built up a a nice nest egg of assets and you maybe don't want to work that hard with this in particular, then maybe consider having somebody manage it for you. Might not be a bad way to go either.

00:08:09 Andrew

Yeah, 100%. I really enjoyed meeting James and I thought his episode was excellent and and he seems like he's doing really.

00:08:17 Andrew

Good work, yeah.

00:08:19 Dave

Yeah, I agree. I agree. Smart, smart guy. You know, very, very, very well versed and and everything that he's trying to work. And I think he, you know the thing I took away was he he had it.

00:08:29 Dave

His heart was in the right place. He was there to try to help people, not to try to gouge.

00:08:32 Dave

Them and take a lot of money from him.

00:08:35

Yes.

00:08:38 Andrew

Don’t have time to search the whole stock market. Tired of waiting through endless information? Instead, get my trusted stock picks at valuespotlight.com.

00:08:49 Dave

All right, so let’s.

00:08:50 Dave

Move on to the next question. And by the way, all these questions are coming to us from Shopify today. So Shopify, Spotify, I do, I do that every time missed those up. So all these questions are coming from Spotify. If you don't know this, the Spotify app allows you to ask questions.

00:09:09 Dave

On the app, as you're listening to the podcast, you can do that not just for our show, but any show. So it's kind of a great little feature and we this is where we get a lot of the questions that we answer. So if you do have a question and you listen to the show on the Spotify app, you can easily go.

00:09:23 Dave

There and just.

00:09:23 Dave

Pop it in and we’ll get it. So with that being said, let’s move on to the next question. This is from Matt.

00:09:30 Dave

So it says thank you for all you do your podcast.

00:09:32 Dave

And books have helped.

00:09:33 Dave

A ton. I have fidelity and the percentages for their debt to equity ratio. What are good percentage for debt to equity. So this is right up your alley, Andrew.

00:09:43 Andrew

I'm I’m I'm so.

00:09:44 Andrew

Glad that I’m well known for for being really passionate about that equity. I mean there’s.

00:09:52 Andrew

There's a title or two I could claim I'm. I'm really glad it's.

00:09:55 Dave

Not one. There's worse things, dude.

00:10:01 Andrew

So I'll I'll try to not make this into an accounting class, but there are two types of debt to equity. So when you hear.

00:10:10 Andrew

When you see it on the website there they could be talking about one type or the other type. It's a. It's a ratio to try to get you.

00:10:19 Andrew

To understand how much data company has, it's not the only ratio, but it's a a pretty decent shortcut where you know when you look at the stock and you're looking at the balance sheet. And I'm looking at Apple and there's like $90 billion in long term debt or something.

00:10:38 Andrew

That sounds like a bunch to.

00:10:40 Andrew

Me, but you know, compared to what other assets Apple might have, that actually might not be a lot at all. So that's the debt ratio, the, the debt to equity ratio comes in to help us compare those things, apples to apples and give us some context on how much data company has for its size so.

00:11:00 Andrew

I would say in general, if you're calculating.

00:11:05 Andrew

If you're if you're.

00:11:06 Andrew

Calculating that equity, kind of like the old way, anything below 1.

00:11:14 Andrew

Usually says OK, this is probably a company that doesn't have much debt or or many liabilities for that matter. It has lots of assets so.

00:11:26 Andrew

I would say anything before one. You're like, cool. Check the box. That looks pretty good. Anything above one. You can start to say, OK, maybe I want to understand a little bit more about.

00:11:36 Andrew

About the business, is there a good reason for why they don't have as many assets as other companies or do they really actually have a lot of debt? And so that's where further analysis would come in. That's where I would.

00:11:48 Dave

Start. So what? Why is?

00:11:53 Dave

Why is understanding debt equity?

00:11:56 Dave

As a ratio, why is that important?

00:11:59 Andrew

There's a couple of things that are.

00:12:03 Andrew

Impactful to you as a stock picker. If you buy a stock with a high debt equity so.

00:12:09 Andrew

On the one hand, you have the.

00:12:12 Andrew

Oh crap, this could all blow up and the company could go bankrupt. Risk, which is rare. But you, you know, you always want to be aware if if that's. If I have a stock that has more of that risk than another. I probably don't want to own it.

00:12:24 Andrew

If it's a very extreme risk, but the other one is.

00:12:28 Andrew

The debt payments can limit how much a company can reinvest in its growth so it can stifle growth because instead of reinvesting the business, they have to pay down on debt and they can also reduce their profits because they could be paying more interest on their debt. So the core business can all look great.

00:12:48 Andrew

And then when you start to zoom out, you're like why?

00:12:51 Andrew

Why isn't there a low free cash flow in this situation? Sometimes it can be because they have a lot of.

00:12:56 Andrew

Interest payments.

00:12:57 Dave

M.

00:12:57 Andrew

And and I think you see it more.

00:13:00 Andrew

With like younger, more growth year type of companies and then also like companies in decline usually like the companies in the sweet spot of end of growth stage store, the maturity stage a lot of those tend to have not as much problems with the interest expense.

00:13:19 Andrew

But you know, I can't really paint with a broad brush because there's so many different types of businesses out there. So just something to be.

00:13:26 Andrew

To be cognizant of and.

00:13:29 Andrew

I think as a value investor and a beginner can be easy to.

00:13:34 Andrew

Laser focus on that and make it a bigger factor than it really is. And I know I certainly did that when I was newer, so I wouldn't like put all the chips on on what the companies that situation is. But it does have an impact on some companies. And so it's good. It's a good thing to have.

00:13:51 Andrew

In your checklist.

00:13:54 Dave

One last question, kind of related to this, if you are looking at a company and let's say you like everything about it, but the equity, the debt to equity ratio is a two or something.

00:14:07 Dave

What would be a few things that maybe you could look at to?

00:14:12 Dave

Maybe uncover why that could be a good.

00:14:14 Dave

Or bad ratio.

00:14:17 Andrew

Yeah, it's a great question.

00:14:19 Andrew

I would look at the change in debt equity over time. So if they've gone from 3 to 2 1/2 to two then hey, you know things are trending in the right direction.

00:14:31 Andrew

Action, but if it's.

00:14:34 Andrew

They were at zero and now all of a sudden they're at 2:00. And then where did they? Where did all the money go? I would. I would want to look at where it went if it went to the all the execs or something that that would, that would be more of a red flag.

00:14:48 Andrew

That would be. That would be something that I would look at.

00:14:51 Andrew

The net debt to EBITDA to go kind of further down that path is also really going to use this actually the one I use in my checklist now for every every stock I buy.

00:15:03 Andrew

And I like it because you have the debt to equity ratio, but that doesn't always take into account the company's cash. So use like Apple as an example of they have a lot of debt, but they have even more cash. So the net debt is actually zero because they have so much cash.

00:15:24 Andrew

And so I'm not that to you, but that can take care of that and it can also look.

00:15:28 Andrew

That a companies earning power instead of just their balance sheet so not to get super into the weeds, but like a company like Apple does not have.

00:15:40 Andrew

Any asset the the the brand of Apple doesn't get recorded as an asset on their balance sheet, but you can definitely say the brand of Apple is is strong and valuable. And so sometimes the balance sheets don't always reflect what the business really is worth. And so when you compare.

00:16:00 Andrew

To a company's earnings power instead of their.

00:16:04 Andrew

They're balanced either what they own, then you can sometimes get a feather picture of how risky that debt is.

00:16:14 Dave

Yeah, that's those. Those are, those are great breakdowns and I think that's I think that's really helpful to kind of go beyond maybe if you're.

00:16:22 Dave

Starting out and you want to dig deeper into how that can really impact an investment, I think.

00:16:28 Dave

Kind of taking what Andrew was saying can be very helpful to maybe narrow your focus a little bit and see if it is good or bad and you know it kind of to your point earlier it it, it brings in the nuance of not every company and not every situation is exactly the same. So we can't one thing to be careful of.

00:16:48 Dave

When you're starting out is to not paint with a little broad brush and just say that all companies with a debt to equity under one are great because it's not always the case, and likewise, not every company over.

00:17:00 Dave

One is bad too, so it it can kind of swing both ways. So I think you know kind of using some of those strategies. Andrew was just talking about can be very helpful to narrow that focus and and you know add those as part of your checklist to help you dig a little deeper to make sure you really understand where the company is with with debt and how that's impacting the business.

00:17:22 Andrew

That's the problem with these shortcuts. With the stock market right as soon as you learn the shortcut, you want to start applying it everywhere. Then you realize there's all these caveats, and then the shortcut that was supposed to save you time ends up taking a lot more time than you expected. And now you're back to square one.

00:17:30 Dave

Right.

00:17:40 Dave

Right, right. Exactly. Yeah. I gotta love it. You know, what is that? Do you know the Charlie Munger quote? You know, to a man with a hammer, you know?

00:17:41 Andrew

I love it.

00:17:47 Dave

Yeah. Yeah. And so true, especially when you learn, learn or discover a new tool you want to put it to use in every way, shape and form that you can. And sometimes it just doesn't fit.

00:18:00 Andrew

Yeah. So what would be your advice to Matt then like?

00:18:04 Andrew

You mentioned, you know trying to take it in context and trying to learn other techniques other than just one ratio. Do you think there's like a good natural step from? OK, I'm. I'm on fidelity. I'm looking at the ratios that they're putting on on the book. My brokerage account for the different stocks that I'm working at.

00:18:24 Andrew

You know, is there a good is there a good next step from?

00:18:27 Andrew

Claire.

00:18:28 Dave

I think, yeah, that's a good question. I guess the way I would approach it and the way I have approached it is let's say I'm looking at Walmart and I'm looking at the debt to equity of Walmart. I wouldn't just stop at whatever their number is because in isolation, it can tell you.

00:18:47 Dave

Certain things, but especially if you're only looking at one year or maybe a one quarter or something, then it it's too much in isolation and you want to look at it.

00:18:57 Dave

Not only on Walmarts scale. Look at it over A5 or 10 year period because you were, you know, you were talking about how has it evolved, you want to see, you know, if it's been pretty steady or if it's you know if you've seen lots of hills and hills and valleys. So you can kind of get a a a framework of where they are now.

00:19:17 Dave

Because where they are now doesn't necessarily mean that they will be in the future, but the past can sometimes tell you stories about where the company could be going based on how they've performed in the past.

00:19:29 Dave

And so having that framework can be helpful to determine whether where they are now is good or bad. Then the other thing I would do is I would also look at their competitors. So I would look at Amazon and I would look at Costco. I would look at maybe Kroger some of their competitors, big box.

00:19:48 Dave

You know big retail type businesses and kind of get a sense of where they are. It's not always going to be necessarily apples to.

00:19:55 Dave

Those because even though Walmart and Amazon, for example, are direct competitors with e-commerce, for example, and grocery stores, Amazon has the whole AWS thing that Walmart does not. So the numbers are not going to be apples to apples, but you can get a fair sense of where they are. Where is Costco would probably be maybe a more.

00:20:16 Dave

Direct competitor in such that they're both big box kinds of retail stores. You could get some idea of maybe where Walmart sits. And so those would be two things that I would do.

00:20:29 Dave

Right out of the gate would be look at that and I think the last thing I would look at would be you were talking about the income statement. I would look at the interest coverage ratio for the business so that they do have a fair amount of debt. I'd want to see what those interest payments are and how how easily the company can make those payments. And you can do that.

00:20:50 Dave

Simply by measuring the amount of interest payments that they have compared to their operating income or EBIT.

00:20:57 Dave

And you can find both of those on the income statement and it's just simple division. And then generally the higher the number the better. So if it's, you know, three times the interest coverage you know another was the operating income is three times the interest payment, that's OK, but you want a higher number. So if you see something that's like.

00:21:17 Dave

34 times the payment, like you would see with a Google for example. Then you like. OK. Yeah, that's not a problem. That's not a big.

00:21:23 Dave

Deal for them.

00:21:24 Dave

And that that, to me would be those.

00:21:26 Dave

Would be the three things I guess I would try to look at. What about you?

00:21:30 Speaker 5

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00:21:50 Speaker 5

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00:22:04 Andrew

Well.

00:22:06 Andrew

Matt, this is probably like a fire hose because you can have so many different ways. I I think it's great you're looking at some of the shortcut ratios and it's a fantastic place to start. I would recommend looking at a tool like either quick, quick, fs.net or fun chat dot IO.

00:22:11

Yeah.

00:22:26 Andrew

Because you mentioned your own fidelity, looking at those numbers there and I would try to.

00:22:30 Andrew

That I I feel like if if you want to start to understand a lot of these different metrics that Dave and I are talking about going to either quick fs.net or can chat dot dot IO would be the best place to go because.

00:22:46 Andrew

You know the the whether you're on Yahoo finance or fidelity or or Google Finance, they're each just giving you.

00:22:53 Andrew

It's like I'm taking a little snippet of Los Angeles or New York or, you know, Minneapolis. Whereas if if you're a quick fs.net, you're getting like the entire United States or if you're going to pinch that, they're giving you the West Coast, the East Coast and the central and that's income.

00:23:14 Andrew

Balance sheet capital statement. So I think if you can start to use a tool like that instead and then just maybe try to tackle.

00:23:25 Andrew

A different metric every day or every week or something, and they all start to come together. But for me, like tools like that really helped because.

00:23:37 Andrew

You open up.

00:23:39 Andrew

An annual report and it's like, OK, there's 100 pages in here.

00:23:44 Andrew

Whereas if you can just get like a big picture map of all the financials all in one place and it looks consistent. So if I'm looking at.

00:23:54 Andrew

Walmart and Amazon and Costco, it's all being presented on quick FSS the exact same way to me, that's how my brain could start to recognize patterns and start to actually learn it because, well, I'm not much of A textbook guy. I can't I I can't really read something and.

00:24:09 Andrew

Just be like.

00:24:09 Andrew

Oh, I got to know, you know, like I I like to learn by doing.

00:24:13 Andrew

So for me, I think that would be the next way to go because.

00:24:18 Andrew

Because there's so much information and knowledge and so much nuance.

00:24:22 Andrew

I don't know if there's like a single path that will take you there, but just.

00:24:25 Andrew

Go use your curiosity to say OK.

00:24:30 Andrew

I understand that that's equity ratio. Now I want to go look at interest coverage ratio like Dave was talking about. So maybe now I'll go look at the income statement on Finn chat and that's that's that's what I would try to do rather than just be stuck in these snippets and these shortcuts, if you're working to grow and and learn more.

00:24:49 Dave

Yeah, that's that's.

00:24:50 Dave

That's a great little that's. That's a great kid bit and the last tidbit I'll throw to help maybe came down the fire hose a little bit is thin chat. If you go under your account tab.

00:25:04 Dave

They there's a link to a formula page, so if you're looking at some of the things that you see on Finn chat and you're maybe not like, I don't know what this is, you can go to that tab and they will lay out all the different formulas that they display.

00:25:21 Dave

On their charts, so you can have a good like tool to go. Oh, OK, that's what this is. You know, I heard Dave talking about interest coverage, but I don't really remember how that works. And then you can just look on Finch chat and it'll it'll lay it out there for.

00:25:35 Dave

You so it's very helpful.

00:25:37 Andrew

That's awesome. I know you had.

00:25:38 Dave

That on there. Yeah. Yeah, I actually discovered it yesterday. So it's. Yeah, it's it's pretty cool. Not that I didn't know the formula, but I was just poking around trying to do something else. And I saw that in.

00:25:49 Dave

My note.

00:25:50 Dave

To self, yeah.

00:25:52 Dave

All right. So let's move on to the next question. So this is from Winston says, hey guys.

00:25:57 Dave

I'm a student in vet school right now and currently am accumulating debt from it. Sorry Winston, I have been looking into Wasco investing long term. Should I just buy it and not worry about it being low? So interesting question. So what are your thoughts on what's going? Should he just buy it and not worry about it?

00:26:16 Andrew

I I'm not sure I understand the question because I don't. I don't recall Watsco being low in the very long time.

00:26:24 Dave

I'm not sure either, but I think if.

00:26:26 Dave

We look back at this.

00:26:27 Dave

Was from a few months ago, so I think I think there was a period where it may have drawn down a little bit and so that may have been I know there was some. I remember there was some chatter on Finn Finn chat or Finn Twit about what's go and maybe there were could possibly start to be seeing some struggles.

00:26:45 Dave

Which I don't think has really played out.

00:26:48 Dave

Surprise. Yeah, right.

00:26:52 Andrew

As much as I've grown to love and chat in chat fun, now I just did it. Thanks. I guess it's contagious.

00:26:57 Dave

Yeah.

00:26:59 Andrew

As much as I'm.

00:27:00 Andrew

Going to love into it lately, that's one thing that drives me.

00:27:03 Andrew

Nuts about it.

00:27:04 Dave

Yeah.

00:27:04 Andrew

So you get one back corner.

00:27:06 Andrew

And it's like everybody's like, Oh my goodness, this stock doesn't have enough anymore.

00:27:11 Dave

Right, it's crash. Get rid of it.

00:27:11 Andrew

Or, you know, a 10A10 percent 10% drop and Google is dead, right? Right.

00:27:18 Dave

Microsoft drops five days. What is this trash company?

00:27:25 Dave

So I guess maybe more broadly.

00:27:28 Dave

If you see a company that maybe is not doing well and you want you know it's a a quality or a long term great company, how would you think about that?

00:27:41 Andrew

Yeah.

00:27:42 Andrew

It's it's a.

00:27:44 Andrew

It's definitely valid, right? It's a good thing to think about. And as investors, we always it's a, it's a tough.

00:27:52 Andrew

Balancing act that we have that you need to be.

00:27:56 Andrew

Flexible enough to recognize when you're wrong, but then also confident enough to stick with it when into it, and CNBC are saying that you're an idiot and so you're constantly in this balance, and I guess it's it's really with every stock, but you feel it particularly in the stocks that.

00:28:16 Andrew

So Winston's point maybe drop down and maybe they make headlines or or they have a steep fall or something so, you know, within the portfolio of 20 stocks maybe like three or four of them are like that and you really need to.

00:28:32 Andrew

Figure out is this is this.

00:28:35 Andrew

This is a long term problem or a short term problem, and to me that's.

00:28:41 Andrew

That's the that's the gist of it. Is this a long term problem or is this a short term problem and when you can start getting good at that? I think it can help you long term with your.

00:28:53 Andrew

Results.

00:28:54 Dave

Yeah, yeah, for sure. I think it to me it.

00:28:57 Dave

Really all goes back to.

00:28:59 Dave

Really understanding the business and understanding what's going on with the business. Sometimes you have to remember that the stock price can, can and will be dislocated from the actual performance of the business and it could be a myriad of things. It could be, you know, sentiment on finto, it is turned against it.

00:29:18 Dave

And not to say that that's going to turn markets per se, but it could indicate it just a general pessimism about a particular business or an industry. And you see that all the time and that's when really understanding what the business is doing and how they're.

00:29:36 Dave

Performing can really help you.

00:29:41 Dave

I guess move through the the noise that can go on around companies. I don't know anything about this particular business per se. It's not really in my wheelhouse, but Lululemon is a company that I think is down 50% this year or somewhere in that ballpark and it seems.

00:29:59 Dave

Like with as an outsider on the business, it seems like when I see their financials, they look OK to me, but it just the market sentiment about the company seems to have turned. And so it's just a matter of if you own that company or want to own that company, you really have to understand the fundamentals.

00:30:20 Dave

And then kind of put the price?

00:30:22 Dave

Aside from that, I I was reading something somewhere the other day and and I thought, man, that was brilliant. If they if people could figure out how to do this was when you're analyzing a company, we're moving the stock price.

00:30:35 Dave

From the Screener or the screen so that you can just focus on the fundamentals and not not what's the word anchor on the price. Because so many of us, myself included, can sometimes anchor on the price and it it drives our narrative of what we think. You know what's going on with with the price of the business and.

00:30:55 Dave

If you can learn to.

00:30:56 Dave

To move past that.

00:30:58 Dave

I think that can go a long ways towards.

00:31:01 Dave

Becoming a better investor.

00:31:04 Andrew

Well, now, since we're turning the episode into a.

00:31:07 Andrew

Into a a free sponsored post for Brandon Finn. Chat Fun Chat has something like that too.

00:31:13 Andrew

That this is that.

00:31:14 Dave

Ohh, do they really?

00:31:15 Andrew

That you haven't seen that?

00:31:16 Speaker 2

No.

00:31:16 Dave

Uh-huh.

00:31:17 Andrew

Yeah. And I think it's in your settings you can basically toggle the stock prices off. So like he has like the dashboard where you, you have your portfolio and you can keep track of the stock price and stuff you can you can put your account in business mode or something. I can't remember what the.

00:31:22 Dave

Oh wow.

00:31:26 Dave

Right, Yep.

00:31:28 Dave

Yep.

00:31:32 Andrew

Exact terminology is.

00:31:34 Andrew

But yeah, it does exactly what you're saying.

00:31:36 Dave

Ohh wow OK.

00:31:37 Dave

Alright, so kudos to him. That's awesome.

00:31:37 Andrew

Yeah.

00:31:39 Andrew

Right, right. You know it, it it.

00:31:43 Andrew

It's it's tough though.

00:31:47 Andrew

Yeah. The only one things a good example because.

00:31:51 Andrew

It's it's like.

00:31:54 Andrew

How do you how do you evaluate the trendiness of?

00:32:00 Andrew

Other consumer brand it's it's like a fashion brand that's tough, but those are the the types of questions that are worth asking.

00:32:04 Dave

Right.

00:32:09 Andrew

And I find myself all the time.

00:32:14 Andrew

Looking at.

00:32:16 Andrew

Like reanalyzing stocks I already own.

00:32:21 Andrew

And then being like, OK, I'm going to add more to this or maybe maybe this something has changed and I need to sell it.

00:32:31 Andrew

And I think if you can do that.

00:32:35 Andrew

Reanalyze the businesses you own consistently and make a system where you're constantly doing that. Not enough to drive you crazy, like not like, oh, every time it drops 10%. I'm gonna go in there and, like, redo my thesis on Costco or something, but really, like, all right, it's been a year or eighteen months since I've looked at this.

00:32:55 Andrew

Name. Let's go back and let's see if I want to add more or maybe I need to think about selling it because things have changed and.

00:33:05 Andrew

I guess that that brings.

00:33:07 Andrew

The argument to keeping your portfolio manageable so you can.

00:33:10 Andrew

Do that over time.

00:33:13 Andrew

Yeah. So that's that's an idea, yeah, because I've, I've found. I've found that.

00:33:19 Andrew

The longer you hold something, you can sometimes learn more, especially if it's a more complex business and so you can start to think about the Moat differently.

00:33:31 Andrew

And if your original thesis is off.

00:33:34 Andrew

And by stubbornly holding on to it, you're just.

00:33:38 Andrew

Ignoring, you know, you're sticking your head in the sand and you're not willing to take a loss because it's hard on our egos when.

00:33:45 Andrew

We take a loss.

00:33:46 Dave

Right. Yeah. Yeah, it's true. I think that's a great. I think that's a great way to look at it and I think.

00:33:53 Dave

Trying to have the flexibility of thinking to allow.

00:33:58 Dave

For.

00:33:59 Dave

Changes in what we're thinking, I think is a great way to help us be more adaptable to.

00:34:08 Dave

Not only situations in the market, but also our own biases and how we think about things when we.

00:34:17 Dave

When we buy a company, we're making a statement that, hey, I believe in this and to your point, sometimes it's really hard for us to move off of the idea that this is the best company when maybe all evidence points.

00:34:33 Dave

To the contrary, and we're just holding on to it because our ego is doesn't want to be shattered.

00:34:40 Andrew

So what kind of evidence? Sorry to interrupt. What kind of evidence do you think is stuff that maybe is worth more paying attention to? Maybe other stuff that's.

00:34:41 Dave

Sorry.

00:34:43 Dave

OK.

00:34:53 Andrew

Can be safely ignored.

00:34:55 Speaker 2

Hmm.

00:34:58 Dave

I think.

00:35:01 Dave

I think sometimes you have to.

00:35:04 Dave

I think you have to, I guess, divorce yourself.

00:35:08 Dave

Not divorce yourself, but separate.

00:35:11 Dave

The noise from the the the facts and.

00:35:16 Dave

To your point about Finn Twit. You know, if you're on there a lot, guilty, then you can sometimes be swayed by the opinions of people, especially if there's a lot of noise focused around a company or two, and particularly if it's a company that you own, PayPal.

00:35:36 Dave

That and really.

00:35:39 Dave

Really. You know, it can really sway your bias and you have to.

00:35:45 Dave

You have to. I too. I have to set that aside and actually look at the financial performance of the business and judge it on that as opposed to what, 17 people in a row are saying about Lululemon, for example, don't own it. But you know, there's a fair amount of negativity about it. And so I think that's where you have to really be careful.

00:36:06 Dave

To not let.

00:36:09 Dave

Those biases or those influences creep into your thinking, and it's it's natural, and especially if you spend a lot of time in a place that you enjoy because you, you know, thinking about fun to it in.

00:36:21 Dave

Particular.

00:36:22 Dave

You enjoy the interactions with people you enjoy the knowledge that you can learn from smarter people that than you that are on the platform.

00:36:30 Dave

You have to kind of take that with a grain of salt and understand that there can be some noise that can be not helpful and you need to try to, I guess, move away from that as best you can.

00:36:41 Andrew

Yeah, I I try to spend as much time as I can.

00:36:43 Andrew

With normal people.

00:36:46 Speaker 2

Yeah.

00:36:46

Like.

00:36:47 Andrew

I don't own. I don't own PayPal and I don't so I don't and I don't know much about it. So you know, take this with a grain of salt, obviously. But when I think about PayPal just is one of those companies that's so many people like to talk about.

00:37:02 Andrew

In the financial community and then, you know, I'm.

00:37:05 Andrew

Sure, it's all great stuff, but.

00:37:08 Andrew

You know, if I look at my friend who sells stuff on eBay, you know, is is he taking payment through the PayPal button or if I look at my younger brother buying the jersey off eBay, is he using the PayPal button, you know? Then it's like, did that change from today versus like three years ago?

00:37:28 Andrew

This is a completely different thought experiment than whatever else. I don't know what else people argue about with that company in particular, but but OK, I do own apple as an.

00:37:39 Andrew

Couple and that one just goes through its fair share of like tech hype and tech do mean whenever I look at like my mom or my 12 year old daughter, right, 11 year old, almost 12 and I'm like do they still use their iPhones or are they still upgrading?

00:37:46

Right.

00:37:59 Andrew

This time.

00:38:00 Andrew

Like. Yeah, so like what? What is everybody else NBC talking about really, you know? And it's just like, I don't know, it's.

00:38:06 Dave

Right.

00:38:09 Andrew

It's one of those things that I think Warren Buffett's done a really great job at that.

00:38:14 Andrew

Or he seems to really separate a lot of the noise. That's so easy to get caught up into, and I'm sure it's it's been around for as long as he's been investing too, but just really to just focus on.

00:38:27 Andrew

What's what's the what's this company actually providing? And how's that really changed in the last three years? And then is there numbers to show that? Yeah, everything's kind of going like it always has.

00:38:39 Andrew

I don't.

00:38:39 Dave

Know that's. Yeah, I mean that's I think you know I think certain companies get a lot of I feel like certain companies get a lot of attention.

00:38:50 Dave

Sometimes positively, sometimes negatively. Maybe the negative part of it is because people either have invested in the company, have gotten burned, and so they're, you know, bitter party of one. Your tables ready kind of situation or it's they see the potential and it's not being.

00:39:10 Dave

Realized, and so maybe that frustrates them. And so that's why it it can get a lot of attention. But yeah, I agree, it's.

00:39:18 Dave

It's, you know, PayPal is a company that does seem to get a in in inordinate amount of attention.

00:39:26 Dave

For maybe some a company that maybe doesn't necessarily deserve it positively or negatively, and there is others that completely fly under the radar they get.

00:39:38 Dave

No, no love at all, so to speak and and do very, very well. I mean, how many times do we come across a company either reading or hearing somebody else talk about it that has, you know, destroyed the S&P 500 for the last 20 years and you've never heard of it and it happens all the time and.

00:39:58 Dave

It's just because sometimes we get into an ecosystem or an echo Chamber of things, and we don't realize that there's, you know, a lot of times. There's other opportunities out there and that's where we as investors have to open our eyes and move past.

00:40:14 Dave

You know what CNBC wants to talk about or what the you know everybody, the collective. You know, the board collective on on Finn Twit. Want to talk about?

00:40:25 Andrew

Yeah, I mean, the companies that do stay really small like that even if they keep trouncing the market, probably never will see the light of day. That's the weird thing. I mean, I I've brought this up probably to way too many times. Not as much as PayPal, but almost like WD40, you know.

00:40:33 Dave

Hmm.

00:40:45 Andrew

Like.

00:40:46 Andrew

Who doesn't have a candle that in the garage?

00:40:48 Andrew

They've had wonderful returns, but outside of like one mention in one obscure book, like one obscure chapter, one obscure book. Now we hear about that company.

00:41:00 Dave

No, no love whatsoever.

00:41:04 Dave

No, no, I it's, you know, it's extremely unsexy. And so that's why it probably doesn't get much attention. I was listening to an earnings call yet.

00:41:16 Dave

Today, and I'm going to blank on the on the company at the moment, but I do remember the CEO saying you got it, he said. And I quote, you got to realize and remember, we're not a sexy company and I just like.

00:41:29 Dave

We're boring. We do what we.

00:41:31 Dave

Do we do it well and that's why we don't get a lot of attention.

00:41:35 Dave

Like.

00:41:36 Dave

Enough. You know. You know, I was like a self realized man, you know, but a person. And so it just it was, you know, it made me chuckle. But yeah, I I think that.

00:41:49 Dave

You you sometimes.

00:41:50 Dave

You just have to separate the the fact from the fiction, so to speak, and really focus on the facts as opposed to the fiction.

00:41:56 Andrew

Yeah, so well said. I love that. Yeah.

00:42:01 Dave

All right, folks. Well, with that, we will go ahead and wrap up our conversation for today. I wanted to thank everybody for taking the time to send us those fantastic questions. Again, if you have questions, please reach out. You can do it at newsletter at investing for beginners.com that is in the show notes. You can also do it on Spotify. Got that right, you can ask questions right there.

00:42:21 Dave

On the app, as you're listening to the episodes and those are two great ways, as well as reaching out to us on the Finn Twit machine, so Andrew and I are both on there. Andrew, under his own name and me at IFB, under score podcast.

00:42:35 Dave

And so you can find us there if you have any questions as well. So with that, I'll go ahead and sign us off. You guys go out there and invest with the margin of safety and us on the safety. Have a great week and we'll talk to you next week.