Mastering Money Management: Having the "Money Talk"

Dave [00:00:00]:

All right, folks, welcome to Investing for Beginners podcast. Today we're going to do something fun. Today we're going to talk about how to prevent some bad financial outcomes. All of you have heard of the talk, and we're going to have the talk, but we're not going to have that talk. We're not going to talk about sexual stuff. We're going to talk about financial stuff. We're going to talk about the financial birds and bees and how you can help avoid these. Our friend Chris gave us this great quote.

Dave [00:00:27]:

He said, no one wakes up in the morning and looks at themselves in the mirror and says, today I'm going to ruin my financial future. We want to help you avoid that. Sometimes life can get in the way and other things can happen. As he said so eloquently, there are no surprise babies, but there are surprise parents. So we want to help you avoid that on the financial side. So to help us do that today, we are joined by our friend Evan, who is part of the financial birds and bees team. And so he, Evan, Andrew, and I are all going to talk about the birds and bees. So, Evan, thank you for joining us today again.

Dave [00:01:02]:

And we're looking forward to our conversation today.

Evan [00:01:06]:

Same here. Thank you guys so much for having me again. It's always fantastic talking with you guys.

Dave [00:01:10]:

Yeah. So let's talk about bad outcomes. What are some potential bad outcomes that people could run into financially if they just don't have the financial background or I guess, foundation.

Evan [00:01:24]:

Yeah. For something that specifically resonates with me because it's something I experienced, so I can talk the most about that kind of stuff is people can make a lot of mistakes when they suddenly see income or wealth that they didn't have previously. It's very easy to already have your finances structured and to kind of just sail away. But the second that your income spikes up, what do you do with that? Do you spend it all? Do you save it all? You scale up your life, your expenses, all that sort of stuff. And so for me personally, there's definitely a history of having that temptation of a sudden significant jump of income and having no real framework of what to do with it and haven't had really solid plans of what I had been doing up to there to be able to translate. And so you're just kind of flying blind, spending money as you see fit, saving as you see fit, and that's just never going to lead you to where you want to go. Ever.

Andrew [00:02:14]:

Break it down for the skeptic, why is it so important that when you have that spike in income that you be a little more proactive about it.

Evan [00:02:23]:

I would say it's because when most of us see something like a razor bonus, to be frank, we tend to see that as extra money. We tend to say we've been surviving off of what we've had previously. So I'm just going to treat this razor bonus as gravy to just do whatever I want with, and that's going to cause you to fall behind with stuff like inflation. And everybody who's around you that's able to have more structured finances is going to be able to move up in life and be able to not just afford better things, but live in a more comfortable situation and secure their future so that if they ever got laid off or got fired or something, they could continue to survive and not have to scramble or go into debt or anything. And with when you're flying without all that and just treating your raise and bonuses extra money, you're just going to blow it all and you're going to be stuck back in the same place that you started, or even a little bit worse when you factor in inflation, you're just going to be stuck there indefinitely. You have to treat that new incoming wealth as the same as all your previous wealth, if that makes sense. You still have to continue to save a portion of it. You're going to have to, of course, spend some of it, and that's okay.

Evan [00:03:25]:

But you need to also be saving and investing just as much of it as you had been all of your previous income.

Andrew [00:03:34]:

Are there better ways to do that? I'm a pen and paper kind of guy, so that probably doesn't apply to a lot of people, but are there better ways to structure some of those decisions?

Evan [00:03:43]:

For me, I'll say it a million times, I always go back to automation in some way. So I would say that when that transition happens, you need to do a little bit of pen and paper or excel or Google sheets or whatever initially to say, okay, I'm making x amount of dollars more. How much of this, what percentage of my income have I been saving and investing and such up until now? Or what do I want to save? Invest in my income. You know your goals, apply that to your new income and then set whatever, set automation to handle that for you going forward. That way you don't say, okay, I got all this income. I know this month I should save because I heard do that on a podcast. So let me go ahead and do that. And then the next eleven months of the year, you completely forget about it and let it hang and just spend whatever you want to spend.

Evan [00:04:23]:

Whereas if you take that first month, that first, that first new paycheck, you know, with the raise or the first check of the bonus, you take that and you do with it what you know you should and set up systems to do it for you. From then on, you're going to set yourself up for a beautiful situation. You'll start to build that habit. You know, I've thankfully built that habit where anytime I get a razor bonus, I know what to do with it. And I set up automated systems so that once I handle that one time, it's handled for me from then on.

Dave [00:04:50]:

So that all sounds awesome. But what if you don't have the financial foundation? Like, if you haven't had the talk with your folks? And this is not a dig on parents by any stretch, because, you know, my parents didn't really have much of a conversation with finances. So how did you learn these things? Like, where did you go to learn this stuff?

Evan [00:05:15]:

Yeah, that's a really good question. So when I was a kid with my parents, they definitely taught me some stuff. Primarily, they taught me a little bit about credit, about credit cards. They helped me even start building my credit a lot earlier than I know many people have. So I'm extremely thankful for that. What I would say I was initially missing, you know, coming out of childhood and even out of high school into college. What I was really missing was the, the logistics of it all. Like, it's great to save and invest.

Evan [00:05:40]:

I know that was important to my parents, but how do I really do that? What does that look like? How much does it need to be? What if I'm making more or less than somebody else? How does that all scale, all that sort of stuff? I didn't really have that framework. That's what led me to then graduate college, get a solid paying job, and suddenly say, I know I should be in saving and investing some of this, but I have no idea how to or how much of it I should be. So now I'm just going to kind of do my best with it and fly by the seat in my pants. So the second stage for me in terms of financial education, that was really the pivoting point, was meeting somebody at work who became a mentor for me at work and then a friend, and they introduced me to the world of investing in the stock market. They were much more into short term trading and such, which I didn't clearly end up being into myself, but they did show me what a brokerage was how to put money into the account, how to buy and sell. I mean, I remember the first time he showed me buying a stock on the app, I was like, what the heck is going on? You have to choose a number of shares or you have to set the amount of money you want to put in. You have to decide then when you want to sell it in the future. And all that stuff was just incredibly overwhelming.

Evan [00:06:45]:

But him walking me through that initially was fantastic. And that led me down the road of learning more about investing as a whole and trading as a whole. And then eventually educating myself on where I may want to go with it, which tended to be long term investing in the end. And yeah, him really introducing that to me and being that mentor for me to show me the ropes of everything allowed me to build my own investing strategies for myself and how I handled my money. And then now being able to plan for my future because of that.

Dave [00:07:15]:

It's awesome that you had that mentor in your life that could help you with that. But there's a lot of us, including myself. When I started, I didn't have that. So how do you suggest people start to learn about, let's start with the vocabulary, for example, it can be really confusing. And if you don't have a background in money or finances, then a lot of the stuff that maybe the three of us take for granted can go right over people's heads. So I guess, where would you start somebody that's like, hey, I need to learn this birds bee stuff for my finances? How do I start learning about all this?

Evan [00:07:52]:

I'm going to start answering that question by answering where you shouldn't go, which is where I initially went, which was diving down the rabbit hole of stock market traders on YouTube who were trading AMC like crazy, trading GameStop like crazy, and trying to make perfect picks for what's going to happen in the next two days. And that led me down so much frustration of my own performance. Thank God I didn't waste a crap ton of money on it or anything, but it still led me down essentially wasted time of and wasted money of learning incredibly convoluted concepts that in many ways is just gambling. You know, when you're, when you're messing with money in that short term, when you're messing with the market in that short term, you're just gambling away money in a lot of ways. And so I would say if you seek somebody out and they are pushing short term trades like that and extremely complicated concepts and extremely in depth analysis, that's not as much about the company, but just about the stock chart they see in front of them, then that's likely not the road you want to go down, in my opinion. Instead, I would say find a creator or an educator or a resource of some kind that gives you the basic building blocks, fairly easy to understand, concepts that have the end goal of doing nothing but just getting you in the market, not having the end goal of you making complex trades or anything like that, but just the goal of understanding what the market is, how it sort of works, and getting money in there close to as soon as possible, within reason, you should understand, but nothing dilly dallying about it, so that you, you start growing as quickly as possible for your long term future. That's a much safer place to be in, a much more realistic place to be for the vast majority of people, unless you want to spend 20 hours a week on your stock trades, like my friend did.

Dave [00:09:40]:

So were there any terms or terminology that, like, when you first started to kind of unpack this whole money thing that really tripped you up?

Evan [00:09:51]:

There was actually, when I was a kid, my parents attempted to explain dividends to me. My dad was trying to explain to me this investment account, the small investment account they had given me just to get used to investing. And he tried to explain to me over and over again what dividends were and the fact that the stock was going to, the company that owned the stock was going to pay me a certain amount of money just for holding the stock, and that the brokerage would treat that as income and it would be up to me what to do with it, whether I would take it out or then reinvest it back into the stock. And I said, thats income. Cool, sounds good. And he was like, you can do that if you want, if thats what you decide. However, it can also be better for, there will also be better for the long term growth of your investments if you just leave it in there and let it ride and treat that money as gone until you need it in the far future. And I was like, but its income, its cash.

Evan [00:10:39]:

I would rather just have the cash now. It did not click in my head why dividends were so important or how you treated them was so important, which also leads into the concept of compound interest that completely flabbergast me for forever of money actually snowballing. And a small amount being able to build up a slightly smaller amount, and now you have a larger amount to build off of all that stuff. It was completely impossible for me to understand initially, until, frankly, I found you guys, initially, they were able to help educate me on that sort of stuff of long term investments and how it all functions.

Andrew [00:11:10]:
Yeah, I love that. That's just such a practical and obvious way to look at it. It's income.

Evan [00:11:15]:
It's fine.

Andrew [00:11:16]:
Why would I put it back in? So are there other vocabulary that can trip people up or make them feel intimidated about the market?

Evan [00:11:27]:
I would say that one strategy that I think is incredibly important and really incredibly simple, that its name makes it sound a little bit more complicated, is dollar cost averaging. It's a three word term. It sounds fancy and complicated when in reality all you're doing is buying a set asset, a set amount of a set asset on a set schedule, and that's really all there is to it. And when you look back at historical trends, people can go back and do historical hypothetical performance of different funds or different investing strategies over the entire 100 5200 year history of the stock market. You find that something like dollar cost averaging tends to outperform pretty much anything else. Even when people are successfully guessing the bottoms of the market or bottoms of specific stocks, unless you're getting some individual stock that skyrockets like crazy AMC or GameStop for a few lucky people, then dollar cost averaging, just that simple strategy, always outperforms everything else financially and time wise. It saves you a ton of time because it's such an automated, easy way to invest, but yet you can outperform statistically like 80% to 90% of professional active investors.

Dave [00:12:37]:
That's good stuff. So what do you think are some concepts or ideas about money? It isn't taught in most schools. There are some that do it, but the vast majority of people in the United States particularly don't get

much financial education. So think of yourself as a college graduate. You just got a job. Now all the money that you're making is going into your checking account and you got to figure out something to do with it. So what are some things that maybe could help people that are there that could help them avoid some pain?

Evan [00:13:17]:

I would say having, having a solid understanding of where you want your money to go and where it actually is going. Because like you said, all of your money initially just goes into a checking account and maybe some amount automatically goes over to 401k. Maybe you're lucky enough to have your employer say, hey, maybe you should have that initially set up and that's fantastic. So best case scenario, you have a little bit going to then the other 90% to 95% of it. Exactly. Just going over to checking account question.

Dave [00:13:46]:

So for those of you that are maybe newer to the whole money game, what is a 401K?

Evan [00:13:52]:

So 401K is a tax advantaged retirement account. And again, I know we're touching on big terms and everything, and it sounds complicated, again, but a retirement account, because it's focused on retirement age. So if you try to pull money out of that investment account prior to then, then they're going to be charged additional fees. Whereas if you let it ride all the way until when they want you to, which is currently 59 and a half years old, then you're going to be able to pull it out without any fees. It is an investment account. So like any investment account, it's invested in the stock market and it grows over time much more than just the money that you put in there, because everything's going to be compounding. And the reason it's tax advantage is because each tax advantage account works a little bit differently. But a 401K specifically, you're putting pre tax money in there, which means you're putting more money in there than you would be able to if the money was already taxed.

Evan [00:14:38]:

Then it grows tax free. So most investment accounts, you have to pay taxes on any gains you generate. A 401K, you don't have to worry about any of that. So that by the time you get to retirement, you're going to have a much larger nest egg than you could have had if you didn't have those tax advantages.

Dave [00:14:52]:

Robert, sorry to derail your previous conversation. So I guess what are some other, maybe not obvious, but maybe, maybe some other potential missteps that newer people to money could make?

Evan [00:15:06]:

I would say that the biggest misstep that people make, like you said, if money lands in a checking account, that the most common thing that people do because they think they should to tack onto a checking account is just to have a standard savings account and say, I'm going to take some of the money that ends up in my checking and put into my savings. It probably won't be automated in any way, or maybe you will automate it from direct deposit so a certain amount gets direct deposited over savings. And while that is a fantastic first step, to start kind of segregating your money and putting your money in different buckets, it doesn't do a ton for you. It helps you in a way that you don't see as much money available in your checking account, so you're less likely to spend a ton of money. But the reason it doesn't do a lot for you is that that money is hardly if at all, growing realistically, savings accounts are giving you 0.01 or 0.1 maybe percent a year on your money that's saved in there, whereas something like a bond could give you four or 5%, or a high yield savings account could give you four or 5%, or the stock market or real estate or something like that could give you ten or 11% a year. So I would say a savings account is. It's not necessarily a misstep, but it's a missed opportunity for an early step in the, in the financial process. And that's definitely something I made.

Evan [00:16:14]:

Yeah, I set it up, set up an account with bank of America, and naturally is checking into savings, and they say, oh, awesome, there's somewhere to put my savings perfect. Whereas they really just want as much your money as possible, and they want to take a ton of profit from it. So you need to find better places to put your savings that will benefit you more because it will grow more.

Dave [00:16:32]:

Wait, you're saying banks aren't taking your money for your own benefit, but believe.

Evan [00:16:37]:

It or not, they're not. It's hard to believe. They seem so friendly.

Dave [00:16:42]:

Seems so friendly. So what are your thoughts on the credit bugaboo?

Evan [00:16:50]:

What do you mean by credit bugaboo?

Dave [00:16:52]:

Well, I think probably more damage has been done. I would argue more damage has been done by not understanding credit and people pushing it on, unknowing people that take advantage of the credit and end up not being able to afford it. And just, I feel like that is one of the biggest areas where people go off the rails.

Evan [00:17:17]:

So you're talking about people building up their credit a little bit and then seeing that as an opportunity to be able to afford things that they maybe can't afford into putting themselves in bad situations.

Dave [00:17:26]:

I'm thinking more along the lines of, you know, I remember when I was in college, back in the stone age, there was somebody that came to our campus and set up a booth, and we're giving away all these cool things, and they were encouraging kids to open a credit card. And as a 19 year old kid, okay, great. Hey, that sounds like air quote free money. And you don't realize that it isn't. And so you don't understand the whole, this is what credit is, this is how it works. And if I don't pay it back, they're going to charge me interest, which means the thing I bought is actually more expensive than if I just paid for it with cash or out of my checking account. And a lot of people don't know that. And especially younger kids going into college, if they haven't had a background in education, financial education, they're going to run into that.

Dave [00:18:17]:

And those people are good at what they do. They will sell lots of credit cards, which is great for the bank but not so great for us.

Evan [00:18:25]:

Yeah, that's a fantastic point. I would say that there's a credit is a very complicated and convoluted system to begin with. Not only just people trying to take advantage of other people or companies trying to take advantage of people, but also just the whole concept of building your credit and what to do with it and whats a good score and a bad score and everything. Its all incredibly complex, convoluted, but theres a very simple way to manage your credit, specifically with credit cards. To me, that makes it all go away, which is just treat your credit cardinal like a debit card. Only spend the money on it that you have, pay it off as soon as possible. I pay off my credit cards every single week, so you could even do it more often than that if you want. Just don't wait past a month, but just treat like a debit card.

Evan [00:19:09]:

Get it out of your checking account as soon as possible to cover whatever credit charges you have on there, and that will avoid you paying any interest on anything that will build your credit more quickly. It'll just become a habit for you. So it'll all be easy to manage and you're not going to have the headache of paying late fees or extra interest or anything like that. That just wipes out all concerns of how to handle things so that even if somebody actually, you know, takes advantage of you or somebody you know, if you manage that credit card correctly, frankly, that bank isn't going to get a dime from you. I mean, the banks that gave me credit cards haven't gotten anything from me. I didn't pay for the credit card up front and I haven't paid any interest on any of them. They're just losing money with me. Essentially.

Evan [00:19:50]:

That's what you, you know, want from this. You want to reap the benefits of a credit card, like rewards and cash back and such and purchase protection, but you don't want to take on any of the bad stuff where your money starts going to them at all. I would say if any of your money goes to a bank because your credit card, then you've made a misstep at some point and you should just treat it like a debit card.

Dave [00:20:11]:

Good advice.

Andrew [00:20:12]:

So, you know, it goes without saying for people who have financial education, but what is it specifically about credit card balance that makes it such a bad alternative compared to putting it in a savings account or the stock market. What is it specifically, Robert?

Evan [00:20:31]:

Specifically, its just the fact that youre going to be paying for it instead of it paying for you. Almost. If that money went into a savings or investing account, idle savings, whatever, that money would grow and actually earn you more than what you had originally. Whereas if you put that on a credit card to buy something you dont need, you know, to replace a chair you've had for a year, then you're going to be paying upwards of 20, 30% interest on that. Whereas the best you could hope for in the stock market would be, you know, ten to 12% or something. You're just going to be hemorrhaging money to that bank if you leave any money on the credit card whatsoever.

Dave [00:21:04]:

Yeah, yeah, for sure. And we're just talking about credit cards. We're not even talking about car loans or, you know, a home loan and some of those bigger expenses. And those can be, those can be challenges, too.

Evan [00:21:18]:

I would say, like you'd mentioned before about credit, it can be a, you need to build your credit. It's incredibly important for you to build your credit and have good credit. But I would not see the credit as an approval of when you can move forward with a purchase like a mortgage or a car or any other kind of debt. Don't treat your credit as, as the, the point at which you can go forward with it. Treat it as something that's necessary for you to be able to get that loan. But you should look at the rest of your finances, the income you have, what your expenses are, how much you want to save and how much is your payment going to be. So how much is that going to cut down on your savings in the future? All of that is much more important. It will have a much greater impact on your finances.

Evan [00:22:01]:

Whereas I think a lot of people see I have a 700 credit score. I'm approved for $100,000 in loans. That must mean I can afford $100,000. It does not in the slightest. It means that the bank thinks you're going to pay them back more than likely, and so they're going to make a crap ton of money off of you and interest, when you can actually afford it is when you know that those payments aren't going to cut too much in your savings. You can afford whatever necessary down payment there is without wiping out all of your long term savings you have or dipping into investments or anything like that. Those factors will have a much greater impact on your finances than trading your credit score as a go ahead and pass go and collect $200 to move forwards, right?

Dave [00:22:43]:

Yeah, very true. So let's maybe double back on. We've talked about kind of some things to avoid. We've talked about credit and some of the things to avoid with that. Let's talk about the third rail, if you will, and that's investing. So we talked about 401 ks. What are, as a newer money person having the education talk, what are the options that newer people can have? And maybe where are some of the.

Evan [00:23:12]:

Good, better places for them to start with 401k specifically?

Dave [00:23:17]:

Well, no more just about investing. Like, you know, you were talking about like short term day trading. You know, I think about, you know, the pandemic. I think about all these, you know, young, younger people that are out there trading options and, you know, doing all this day trading and all this crazy stuff. And some of them did great, but the vast majority did not. And that I think, unfortunately, will probably set people back in two ways. Number one, financially with the actual money. But number two, you know, their mindset, like they, they associate the options trading with.

Dave [00:23:56]:

This is what investing is, and I was a failure at it, so now I'm never going to invest. And it sets them back for the next 30 or 40 years. So how can we help newer people into the markets? Like where should they start? What are some things that maybe are more air quote rational or safer to get them, get them on the right path?

Evan [00:24:16]:

Yeah. Two of the best places to start early on in employment when you get that income bump is something like a, something like a Roth IRA. Both are retirement accounts. Both will give you tax advantages because of the fact that they're retirement accounts. Your money is going to grow much more than it would otherwise, and they're both going to give you different benefits. Like we already talked about, a fact that the money is going to grow extremely quickly compared to other investment accounts into a much larger number in the long term, but it won't be accessible for a very long time. And then you have something like a Roth IRA where you use after tax funds which contribute to it. It still grows tax free.

Evan [00:24:52]:

And then when you pull it out in the future, it's also tax free because you already paid the taxes on it. And the upside to that is that you can almost treat a Roth IRA as a savings account if you need to in an emergency because you can pull out your contributions anytime, penalty and tax free. You just can't pull out the gains that you've generated off of them. But those are both fantastic accounts to focus on when you're early on out of college or whatever it may be, and starting that, that job early on. And then if you need a third account to tack onto that, maybe you max out those contributions. Maybe you want investments that are going to be more freely available whenever you want, because those are both at least partially locked up until retirement than just something like a normal, what we would call taxable brokerage account is totally fine. And that would be any standard investment account you would open through a brokerage. So if you went to fidelity or Robinhood or something and just signed up for a brokerage account on there to be able to invest in, that would be a standard taxable brokerage account where you're free to do with that money what you want, but you're going to pay taxes on whatever gains you generate as opposed to the retirement accounts.

Dave [00:25:56]:
Yeah, that makes sense.

Andrew [00:25:58]:
Can you speak on, you know, if you want to open a 401K, you talk to your employer. If you want to open a Roth IRA, what's the next step?

Evan [00:26:07]:
So Roth IRA, you can do through any brokerage the same, at least most brokerages the same as you would a taxable investment account. So usually when you go to sign up for an account, they'll ask you what kind of account you want to sign up for. Or it sounds silly, but it can. It's usually as simple as googling fidelity Roth IRa or Robinhood Roth IRA or something like that. And that'll bring you straight to the signup page to be able to sign up for it. And the signup process is just as easy as a normal brokerage account. There's nothing really special in the setup process, and I always say it doesn't take much longer than setting up a new Gmail account. We're talking 15, maybe 30 minutes for the signup process, and then you're good to start contributing money and investing and setting up automated investments and all that beautiful stuff.

Dave [00:26:53]:
Yep, exactly. So what kinds of investments can you make in a 401K? Because if I'm new to this whole game, the idea of opening a 401K, okay, great. My employer does that, but what do I get to choose? Probably scares the Jesus out of me. Like what? What are the things I could choose? Can I choose anything I want, or is it a more limited menu, if you will?

Evan [00:27:19]:
So 401K does have a much more limited menu than the other options. That's not necessarily negative. It doesn't mean you can't get good performance from it. I would say that one of the worst things you could do is leave it at the initial setting, because usually they'll leave the initial 401K setting at what's called a target fund. And what that's trying to do is balance risk towards when you're expected to retire. So for me, being

quite young, I'm 25 years old, they don't expect me to retire for 40 years. So they're going to be bounced a little bit more towards risk, which is what want at a younger age. Thats totally fine.

Evan [00:27:50]:

However, as you start getting older, 30, 40, 50, and you get closer to retirement, theyre going to severely try to lower your risk. And theyll do that by investing your 401k more and more into bonds, which are essentially guaranteed investment returns, but much lower average returns than youre going to get through the stock market over the long run. So I would say the worst thing you could do is leave it there, because usually, unless youre only five, even ten years away from retirement, theres nothing wrong with taking on more risk. If you look at the long term history of the stock market, I think I saw a video just the other day that statistically, over the whole history of the stock market, the likelihood of you losing money over twelve years in the stock market was like 0.5% or something. Over the long term, you have nearly a guaranteed solid return in the stock market. And so in a 401k, you want to find some investment option that has a higher risk and ideally focuses just more on the overall stock market. I know that with Schwab specifically, Dodge and Cox has a great fund that focuses just on the overall stock market, just trying to track the overall market. And thats usually the best option.

Evan [00:28:57]:

The options are going to vary from brokerage to brokerage. But something thats focusing on the overall market is usually going to be your best bet. They may tell you its higher risk, but again, when were talking about the long run, which is what a 401K is, because you cant really pull it out before then. Anyways. When you're talking the long run, that's going to give you by far the best returns.

Dave [00:29:16]:

So you're telling me I don't have to be Warren Buffett to invest in the stock market? Not even there's a chance.

Evan [00:29:23]:

There's not just a chance. There's a 99.5% chance.

Dave [00:29:27]:

Okay, that's great. So do I have the same options with, you mentioned a Roth IRA. If I invest in that kind of account, do I have the same options? I feel like there's, do you have to be a stock picker like Andrew and I, or can you invest in ETF's and index funds and still do? Well?

Evan [00:29:50]:

I will put it this way. In my Roth IRA and taxable investment account, I have not touched what I'm investing in for the past year and a half or two years. I have not. The only thing that I have touched is increasing the amount as I've gotten raises or bonuses or whatever. I have increased the amount that it's investing, but I have not touched what it's being invested into because I don't see a reason to. And again, that's not just my opinion. If you look back statistically over the whole year, the whole history of the stock market, just tracking the overall market is, tends to be the best way to go. And that's what I personally do.

Evan [00:30:24]:

So a Roth IRA and taxable investment account both give you essentially the same options of what to invest in. Your exact options may vary slightly by brokerage, but overall you're going to be able to invest in anything in the stock market. And so I just stick with what are called ETF's and those are exchange rated funds. Another three word term. I dont know why theres so many three word terms. And thats essentially just a fund, which is a group of stocks. Thats a group of companies that you can invest in through one single stock, which is called a fund. And exchange traded just means you can trade that fund on the stock exchange, which is the stock market.

Evan [00:30:57]:

So its publicly available for anybody to be able to invest into. So investing in things like Voo or VTI, those are the stock tickers for those. Those just track the overall market for an extremely low fee. It's like 0.03% of what you have invested in there. So essentially zero, which, keep in mind, is essentially what a savings account would pay you. And you can just track the overall market very easily, simply, and you hardly have to think about it. There's no stock picking involved whatsoever. Essentially just to set it and forget it and watch it grow like crazy.

Dave [00:31:30]:

That sounds awesome and kind of boring. Just joking.

Evan [00:31:32]:

Um, which is the upside.

Dave [00:31:36]:

We spent a few minutes here talking about investing. What's the goal of investing? Like, why do we want to start investing? Why would it be ideal to start earlier than later?

Evan [00:31:47]:

Starting as early as possible gives your money as as much time as possible to compound on itself. So if you started investing a large amount of money five years from retirement, that money is hardly going to have time to grow. I mean, you're going to look back and you're going to see very little extra money that you've earned from those investments. Whereas if you start with a reasonably, you know, meager low amount when you're 20, 25, 30, giving it 30 or 40 years to grow, the compounding is going to be massive. It's going to snowball like crazy, especially starting. Once you get into the later years, it's going to be building on itself like crazy. And so it's incredibly important to start as soon as possible. And what we always emphasize so much is that it doesn't need to be a large amount of money that you start with.

Evan [00:32:30]:

Starting at all is more important than waiting until you can put a lot in. I've definitely known a lot of people who, when I mention investing, they say, well, I mean, I could maybe put $20 in there. So it's not even worth it. I'll just wait till I get a better paying job, you know, ways down the line when I have more spare income, and then I'll start putting 200 in or whatever. It's numerically, it's much more worth it to start with the lower amount now, not just for compounding, but also for building the habit for yourself. Because who knows where you're going to be ten years from now? You may have completely forgot about it and thrown it out of your mind, the idea of investing. So starting as soon as possible and building that habit and making a it a part of your financial being, I know that sounds super self important or whatever, but making it a part of yourself that you invest and you are an investor as early as possible is a fantastic way to set yourself up for your financial future.

Dave [00:33:21]:

This is all great stuff, so. All right, Evan, we've talked about a lot of great stuff today, and I think you've dropped a lot of knowledge bombs on people. Not everybody has a mentor like you are lucky enough to have. Where would you send people? Where do people. Who should people go to start their path and learn the financial birds of bees so they can be successful in life?

Evan [00:33:44]:

I would say that the best thing you could do is find, like I had mentioned before, a little bit. Find a resource online that's only going to teach you what you need and what will actually have an impact on your kind of straightforward, not overly complicated financial future, as opposed to just a bunch of financial jargon that people spew out to validate them. Being a social media influencer or something like that. So something like financial. Birds and bees is our actual product. Financial burden of bees is a great resource that's affordable and will only teach you what you need to know. It'll still give you a huge wealth of information that will be a lot to absorb, but it'll actually teach you it in a way that you'll able to be absorbed. It will teach you it in a way that you will actually be able to absorb and not just waste your time skimming over things and not really learning anything or not really making any changes.

Evan [00:34:33]:

Because that's the whole end goal of this, is we want to help you actually make changes in your life that will benefit your financial future. That's the whole end goal of all of this. So going to financialbirds bees.com or just googling financialbirds and bees will take you to our Kickstart program. We also have some great free resources on there that can help you get started as well. But that product will give you all the knowledge we discussed today and much, much more, but again, in a palatable, digestible format where we'll walk you through step by step and you'll get access to actually talk to these guys one on two, I guess you could say, and get access to invaluable resources that will help you actually make changes. We're not just going to spew a bunch of nonsense at you to make you feel like we're smart, right?

Dave [00:35:17]:

Yeah. And the, the thing I love about too is it'll, in essence, spoof feed you the information so that you can absorb it at a pace that you feel is comfortable for you. So you're not drinking from the fire hose and get overwhelmed.

Evan [00:35:31]:

Absolutely. Absolutely.

Dave [00:35:33]:

All right. Well, with that, I think that was a fantastic overview of financial birds, of bees. And I'll put a course, I will put all of these links and everything in the show notes so people can easily find them. All right, folks, well, with that, we will go ahead and wrap up our conversation for today. Evan, thank you very much for dropping all the knowledge bombs on everybody. That was very, very helpful. And again, I will put all the links for financial birds, bees in the show notes so you can easily find them when you're driving or nothing. Please don't when you're driving.

Dave [00:36:02]:

And with that, we'll go ahead and sign us off. 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.