The Just Word Podcast

Transcript of Episode 4 – Findependence or bust!

Pat Bolland 0:01
So Jonathan, I got to say when I saw CFO of the Hub, I thought ... what? CFO? I thought ... he founded the thing. Well, it's Chief 'Findependence' Officer. Very cool handle.

Jonathan Chevreau 0:16
Yeah, not a lot of competition for that. I haven't seen anybody else claim to be a CFO, Chief Findependence Officer, but having written financial, you know, the Findependence Day, the book, which of course, just shorthand for Financial Independence Day. It seemed like a natural. Glad somebody noticed.

Pat Bolland 0:33
Yeah. Great to see again, hey, listen, what was your inspiration by setting up the Financial Independence Hub?

Jonathan Chevreau 0:41
Well, as you know, I think we knew each other when I was at MoneySense as Editor-in-Chief ...

Pat Bolland 0:46
As I said, I used to write for you.

Jonathan Chevreau 0:47
Yeah. And you were a pleasure to edit. I'd left the Post after 19 years in 2012, lured away by Rogers Moneysense, and that sort of came to an end after two years, but I still wrote for them afterwards, took a safe contract, employment was replaced by a contract and ...., but I have this site findependenceday.com ever since 2008, when I published the book Findependence Day, just a financial novel, bit like David Chilton's Wealthy Barber, I did a US edition in 2012. So I had this site, findependenceday.com, which is really just to promote the book, and it still exists. That's, in fact, the only way you can get the book now, I think. But when I left MoneySense, I wanted to do something a little bit more interactive. So I launched with the idea of the hub, was to have daily content, you know, as a newspaper guy, I always thought of a story a day keeps the editor away.

Pat Bolland 1:43
Right

Jonathan Chevreau 1:45
And so I actually have, since 2014, the hub has, which is short for financial independence hub has been published five blogs a week, 52 weeks a year, with hardly a miss. And I can't do that myself. So the model really was a lot of guest blogs, or sponsor blogs.

Pat Bolland 2:03
OK, so then on the flip side, who's your audience?

Jonathan Chevreau 2:08
Well, I I sort of thought of it initially as Canadian baby boomers, either at retirement or very close to it, you know, they care about their money, you know, they've defined benefit plans had gone the way of the dodo. A lot of self-directed investing. But as it transpired, I mean, the Financial Independence Day talks about the entire financial life cycle of a human being, which starts from when you graduate from college, you get married, you start to worry about a mortgage and interest rates. So it's really the whole gamut from millennials right to retirees. If you look at the sections of the Hub, the blogs are in six categories, starting with debt and frugality, homeownership, moving right up to retirement, which we call victory lap, I wrote a book called Victory Lap Retirement with Mike Drak and ending on aging and longevity. So I even have a... I tried to just mix it up. So one day, it's something to millennial like, the next day, it'll be something that a baby boomer cares about. And so far, so good. I've always had two or three advertisers or more, plus the usual pay-per-click ads that any blogger will know about.

Pat Bolland 3:12
Yeah. Okay. So then, and I saw music and movies in there as well. But what's your most popular section are your most popular author or their ... You know, that kind of thing?

Jonathan Chevreau 3:24
Yeah. There shouldn't be much stuff on movies. But, you know, there's a lot of book reviews, of course, but mostly financial books. I see the content as the one generating wealth is the third category building wealth. That's where you have a lot of content. Yeah, mostly about ETFs. exchange-traded funds, could be mutual funds, a lot of stuff on stock investing, the usual stuff. I mean, everybody and his mother are doing content on TFSA and RRSPs, especially this time of year. So there's that sort of motherhood content. But ... I think aging and longevity as well, and then retirement planning effectively boil down, maybe it would be retirement planning is sort of the most popular I had a lot of guest blogs by Doug Dahmer, and Emeritus, and a few other people who advertised as well. So I think that's people I would see in their self-directed baby boomer investors who, they like to do it themselves, but they need a little guidance and second opinions.

Pat Bolland 4:28
Yeah, good. Doug Dahmer, great guy, used to curl with him. Listen, Jon, when you think about people's mood right now, are they bullish on the market? Or are they worried that we're going to see a collapse? Do you think?

Jonathan Chevreau 4:42
Well, both I mean, we all I think everybody is surprised how well the market did last year. Everybody was really expected. Well, the market did crash didn't it so quickly? I in March 2020, after the COVID bear market, I mean, I joked It was like, I said at the time, I tweeted it out - as

you know, I do a lot of Twitter stuff. It's like, is it possible that after a 14-year bull market, we're going to have the world's shortest bear market like three weeks? Does that doesn't seem quite symmetrical? And yet, thanks to all the central banks worldwide and keeping interest rates low and just pumping out the printing presses, that's what they did. They managed to pull it off. I don't think anybody expected a great 2020 as it turned out. Fortunately, I wrote it up. And, you know, certainly tech stocks. I've always been a big investor in personally, mostly, as I said earlier, that I was initially, my journalism career going back 40 years started with global mail as a tech reporter. So tech, of course, did really well. I mean, you've looked at things like the ARK funds. They did 100% last year. In fact, on my Hub, the Hub today well, on Friday, February 19, I'm not sure when this airs, there is a sponsored blog by Templeton who is a sponsor, and they've just announced something called FINO, I think it is, which is their innovation ETF, and it turns out is just a variant of one of their US funds that's been going back 20-30 years, who knew but this whole area of genomics to robotics, AI, space, that's just a golden era. And for some reason, all the pandemic stuff just drove cloud computing and the work at home phenomenon and stuff like what we're using right now, Zoom. is such an exciting time to be an investor. And in considering that, you know, fixed income pays nothing. I mean, I even started to invest in cryptocurrencies, a few pieces I wrote for MoneySense in the last couple of weeks that are on the Hub. And let's face it, in crypto, a Bitcoin fund, and now there's the first ones just started trading Canada ETFs, you can make more than two days on a crypto fund, then you GIC will pay you in a year or two. It's kind of ridiculous. Sure, it could go down as easily. And if you do make profits, you should be selling part quick to take partial profits. This is the financial repression era I think you probably wrote a piece for me on financial repression and fixed income environment. I

Pat Bolland 7:12
I did absolutely, and funny enough, four or five years ago, I actually got into bitcoin, we were launching an ETF. Somebody said buy $50 worth of this stuff. And I did. And I promptly lost the phone. But when I got a new phone a couple of years later, all of a sudden this application popped up, and my Bitcoin was worth $2,000. Suffice it to say, I have a new set of golf clubs, because of that...

Jonathan Chevreau 7:35
I missed out on the 2017 run. You remember what marijuana was bad?

Pat Bolland 7:40
That was the one

Jonathan Chevreau 7:41
And I think I tried a few marijuana ETFs that didn't really do well, but I hung on and they're coming back now. But I didn't jump on crypto in 2017. But late in 2020. I had a few newsletters, mostly Profits Unlimited, Paul Mampilly. And he was banging the drum for both etherium and crypto, Bitcoin. And there are a couple of Greyscale Trusts that you can invest in. So I luckily got in, but it's sort of like, for me, 1% of my total portfolio will be enough from crypto, the fact that it's grown to two or three is pleasant, as I said on registered funds, and you know, quick tip, you

know, sell half on a double sale happened another double. Because this stuff could go down just as fast as it went up.

Pat Bolland 8:25
Yeah true. Another one that I saw on your Hub is a comment on housing. And I'm wondering with interest rates, as you say, at historic lows and almost zero and mortgage rates so low? Is it your sense that housing might be risky?

Jonathan Chevreau 8:44
No, I don't think so. In fact, I was really pleased there, something I put on my Facebook page today, the top 10 neighborhoods in Toronto right now. Longbranch where I'm calling from, is number one, which I never did. 20 years ago, Longbranch wasn't in the list of Top 50 neighborhoods in Toronto, from Toronto Life magazine spread. I know I think what we've seen with with with the pandemic is, you know, Muskoka properties, or I don't own property in Muskoka. But I wish I did, cottage country is booming because people can use Zoom and what do you need to have a big corp? I think, yes, there's some risk. I think, you know, I'm doing a piece on REITs right now real estate investment trusts or ETFs. And I suppose if you had nothing but RioCan and corporate real estate rather dependent on big office buildings, and I think even Scotiabank made, just a couple weeks ago, got rid of some of their space downtown. So it you wouldn't want to over-bet on corporate real estate in the big cities. On the other hand, if you're well-diversified retirement home REITs, for example, or apartment residential REITs that people live in. Right now, housing, single-family homes with a with a backlot yard like in Longbranch, Mimico all these others in the top 10. My daughter lives in Hong Kong and she and her English boyfriend want to come back to Toronto and they keep on bleating about, 'but it's so expensive'. Well, you want to live in Hong Kong and London, England, and Toronto, you just picked the three most expensive real estate areas in the universe except maybe San Francisco. I personally, I've always loved Toronto, it's a great place to buy real estate. The whole, the slogan behind Findependence Day was one of the models in there was the foundation of financial independence is a paid-for home. And I still believe that.

Pat Bolland 10:38
Right? Okay, fair enough. But against the background of people accumulating, not just people, governments accumulating debt, we're at record highs at all kinds of levels. Is that a concern? In your audience, the boomers, the millennials? The millennials are taking on when they mortgage their houses?

Jonathan Chevreau 10:55
Well, it's sort of the opposite. When you and I bought our houses, Pat, maybe in the 70s of the 80s that we had very, in retrospect, tiny house prices, like a couple 100 grand now it's a couple 100 million. But our interest rates, as you know, were somewhere in between we were paying 12% some people paid 18 to 20%. That was the direct Opposite

Pat Bolland 11:15
I was in the 18 category.

Jonathan Chevreau 11:16
Yeah. And now I thought you were darn well-motivated to pay it down. Otherwise, in the first five years of mortgage, you're paying nothing but interest and you weren't even paying down the principal. The millennials now have the opposite problem. Sky-high real estate prices, you know, 2 million for $2 million, or $1 million starter homes, even where we are, for teardown. But, interest, they're basically giving away money. So the temptation is to over-leverage. And maybe, I guess, if you bought a second, third property, I mean, I often I'm sure you read the newspaper - family profiles - you know, Andrea Ellen Reed, the Post and Diane Maley in the Globe and Moneysense has their one. I am always struck by the ones where you either have a lot of financial assets or their teachers with defined benefit plans. We don't even need to worry like, stop reading. Fine. But the people who have this, also this category, people will have nothing but real estate, they have two or three investment properties in Calgary or Vancouver. And the planners, planners sort of says, Well, you know, you have a TFSA of like 25 cents. And it's like maybe you're a little over-diversified, you're over-concentrated in real estate and under-diversified financial assets. So go back to my slogan, in Findependence Day, your foundation of financial independence is one paid-for home, your principal residence. Great that is tax-free, and it's a last resort. If you ever in retirement need to go to a retirement home and one spouse dies and health becomes an issue. You've got that money that can be turned into ... Home Equity can be tapped for your last few years. Personally, I just invest in REITs, maybe five or 10% of my investment portfolio, above and beyond the principal residence, would be REITS ETFs. And I find that is good enough correlation not too highly correlated stocks, but more of an income-stream than bonds or cash would give you ... but I'm over-diversified. I believe in gold, crypto, real estate, stocks, bonds, and if I missed anything, high-tech funds.

Pat Bolland 13:24
Yeah, in fact, Justwealth has more than 60 portfolios. So they customize the portfolios a little bit more than that. I guess that's their competitive advantage overall, versus other robos. The key is, though, that people are getting some kind of financial advice through the whole process, I guess.

Jonathan Chevreau 13:42
Yeah, I mean, the thing about the advice, I mean, if you go to the GameStop thing, and the Reddit crowd and all this stuff has been going on in recent weeks with Robin Hood. In that case, it was I think it was sort of strange that they stopped trading. And they were really mad to clients because it was revealed their business model which I can barely explain. But it seems to be about directing business to Wall Street in some way or another. So like they think there's no free lunch. Well, you start to think well, how was it that Robin Hood could give you free trades, 0% commission. In Canada, we have just started to see 0% commission. And I think Robin Hood really revealed that we better find out exactly who on the other side of these trades, and whose side are they on? I mean, if you're not paying them anything, then they've got to be paid by somebody else. And are there conflicts there? I haven't researched or written about it in depth enough to comment. But I would say, I'm personally not unhappy with paying a bank discount

brokerage 10 bucks a trade, at least I know. They're making their money. So they're not going, you know, don't have a conflict that's apparent to me.

Pat Bolland 14:55
Yeah, but still, for the good your self-investment ... the zero cost is attractive. And it's created, in my mind, at least in GameStop, it'd be a perfect example of that, casino, if you will. It certainly the greater fool theory is playing out there, in that you buy something, thinking there's somebody that's a greater fool than you and who pay a higher price.

Jonathan Chevreau 15:18
Yeah, I mean, I suspect that neither you nor I Pat bought GameStop at any stage of this whole drama, because it's obviously way overpriced once they racked up and I mean, it is a very nice, the moral David versus Goliath thing and the small little investor kind of getting even with those evil hedge funds. But apart from a pretty dramatic media story in a flash about GameStop, it's just a crappy little video stock like Blockbuster Video.

Pat Bolland 15:49
Look what happened to Blockbuster?

Jonathan Chevreau 15:50
Well, yeah, I mean, there was little, no wonder that the hedge funds identified it as basically headed to zero. So they did a short squeeze. And you know, for a week or two people made money, I feel sorry for anybody who actually bought it, after about four days and GameStop was clearing at four or 500 bucks was clearly not worth more than 50 bucks if that, maybe 50 cents. But are we going to have a lot more examples of this? Within a couple of days, they were talking about doing the same thing with silver that didn't really work out for whatever reason. It wasn't analogous, but now they're going after the marijuana stocks and you know, twas ever thus. You know, it's the old, with the old book by Fred Shwed Jr 'Where Are The Customers' Yachts'.

Pat Bolland 16:33
Yeah. All right. And I remember the old Vancouver Stock Exchange was like that, depending on what was being promoted on any given day. Listen. We talk about wealth, and we focus on accumulation of wealth. But a lot of your readership I would think are past the accumulation stage. Talk to me about decumulation. And the challenges that that that presents to an investor.

Jonathan Chevreau 16:59
Yes, I would say if you're in your, as I am, in mid or even towards your end of your 60s, hopefully, you have stopped accumulating and therefore by definition, are decumulating. There was even a couple pieces early on, on something called the Decumulation Institute. So it's certainly a concept that's been around for a while. Does it need a different set of people experts than the people who got you there with the accumulation? Yeah, probably. We talked about Doug Dahmer. There are various other people who do similar, there's at least five or six of these packages. In most cases, they support you, they give you a plan, allow you you know, you basically take all the inputs to, Cascades is another one, which was on the Hub for a while. So

they'll spit out every number, thank you, for the next 30 years of your decumulation. So here's your CPPs stream of income, here's your OAS pension, here's your investment incomes, and all the rest. And you can nail it down, you know, practically to the penny and in a tax-efficient manner. See the difference is if you were a salaried employee, in wealth-accumulation years, it was pretty simple. You just did your job, you had one source of income. Hopefully, they had a pension plan of some sort. And if they didn't you maximize your RSP and later on the TFSA. That was relatively simple, then what you invested is all a separate question. So decumulation is a lot more complex. Now you don't have just a single source of income, your employer. Now you have pensions from the government, pensions from former employers, investment income for your RSP, from RRIF, from your non-registered, I mean ... This tax time now, I've been doing taxes half the week, you know, just kind of keeping track of all these non-registered gains and losses. Last year was a busy year because of the pandemic and it's been, quite frankly almost a nightmare just keeping track of all this stuff. So you do need a lot more help on the decumulation side. Whether you can probably find financial advisors who are sort of focusing on that I'm thinking of somebody like Darryl Diamond, for example, who wrote a book on retirement income. Other authors are actuaries like Fred Vettice, I don't think he does personally, not consulting. But he probably would know people that do you know, formerly Morneau Chapelle. So, I think you can either go with the guy that got you there, the person who was so good at accumulating is also a decumulation person. But on the other hand, maybe you need a different skill set. I don't know, I don't really, short on the people we've discussed and the sort of informal relationships, I don't have a formal relationship. You know, maybe I do the only guy that got me there is also pretty good at decumulation. So there are, I guess I call them double threats. Triple threats, people could do them both. But you have to look carefully.

Pat Bolland 20:12
We're on an earlier podcast that we did, Jon, we actually had Malcolm Hamilton on and it was reassuring that you're not driving off a cliff, no matter what you do, the government is going to support you to some degree. And that felt good. Hey, listen, in retrospect, if you had to go back in time, and tell your 35-year old self, what would be the best piece of advice you could give yourself when you were 35 years old? Now, in hindsight,

Jonathan Chevreau 20:43
Borrow a lot of money, buy five bits of five Toronto houses, and then take the proceeds and buy, you know, more,buy more Microsoft, Google and Apple?

Pat Bolland 21:00
You're being facetious.

Jonathan Chevreau 21:03
Yeah, I guess Well, that's because the problem of time travel isn't possible. But okay, so to be less facetious, I don't think I'd do a lot of things differently. I still believe in get buy a house, principal residence, paid off as fast as possible, especially if interest rates are high. Start your RSP contribution, as soon as you can. Ideally, you find a job in the federal civil service, and you get a defined inflation index, guaranteed for life, defined benefit pension plan. But if you're

unfortunate enough like us to be in the private sector, and you're gonna recognize you're gonna be on your own, you better maximize your RSP, maximize a TFSA. TFSA first even. And if there's still access to savings, you can either invest in non-registered assets, so or if you're inclined, you could buy a second property, maybe a triplex or sort of a, you know, some investment real estate, if you have a kid, maybe they, they can live in one floor, you don't charge them so much. And you have two other renters. I never had the guts to do this myself, s0 that's not what I personally did. But if I had to do it again, I think maybe a little bit more solid real estate, like land and houses, you know. I'm personally a little too much into these mental concepts of stocks and bonds, which really just electronic blips in a computer somewhere. You know, there's something nice about tangible real estate, I understand our house. I understand if I had another house, it would be nice. On the other hand, I'm not too handy with a hammer. So I wouldn't be here ...

Pat Bolland 22:35
You're beginning of sound like you're from Gone with the Wind. It's all about the land.

Jonathan Chevreau 22:40
Well, it is to some extent, but you know, but if you're not inclined to be a landlord, then maybe consider having as we discussed before, five or 10% in, in REIT ETFs, so you at least have exposure to that asset class. I've always believed in having, you know, 10% in precious metals, gold, silver, platinum, palladium, that kind of thing, which is sort of that, plus crypto is sort of my out-there investments. So if you add up gold, crypto, real estate, maybe would be 20%. But the core is still always going to be stocks and bonds.

Pat Bolland 23:15
And you should also tell your 35-year-old self to subscribe to the Financial Independence Hub.

Jonathan Chevreau 23:23
That would be a smart move ... that and marrying well.

Pat Bolland 23:27
Great to chat again. Thanks so much.

Jonathan Chevreau 23:30
My pleasure, Pat anytime,

Pat Bolland 23:31
Jonathan Chevreau, Financial Independence Hub.