

The Just Word Podcast

Transcript of Episode 31: Learning About Investing And Business

Guest: Lou Schizas

Pat Bolland 00:00

Lou Schizas, Happy Capitalism! Great to see you again, my old friend.

Lou Schizas 00:04

Hey, Pat, I couldn't be happier. You know, you were mentioning at the top of the show that, you know, we used to work together. And I still think that the work that we did together was the best they've ever done.

Pat Bolland 00:17

I'm not gonna give you an argument on that one, bud... Before we get into what's happening in the stock market, that I think it's fascinating. First order of business. Congratulations, Madeline did a fabulous job at the Olympics.

Lou Schizas 00:31

Yeah, so Madeline, my daughter has been figure skating since she was three. She got on the Olympic team as a figure skater and did a great job in the team competition, dragged her team over the line into the finals. And we're very happy for her having chased her dream and actually capturing it.

Pat Bolland 00:54

Well yeah, it does beg the question, what do you do now? Because she's a Canadian champion. She's been to the Olympics, you know, what's the next step?

Lou Schizas 01:02

Well, I mean, she's going to the World Championships in March, right. So a couple of weeks down the road, she's going to be in Montpellier, in France, for the world championship. And from there, there's Grand Prix's that she'll be undertaking - a new season, new choreography, new dresses, new blah, blah, you know, just putting it all together for the new season, and then going to Nationals once again, January of '23. So that's part of the agenda, her ongoing education. She's at the University of Waterloo taking urban planning. And she continues to operate her piano teaching business. And of course, there's time cut out, very little time, for her dog, that's my primary responsibility ... wash the dog, groom the dog, feed the dog.

Pat Bolland 01:58

What dads do, okay, I want to I wanted to talk to you, in particular, a lot of our audience are less experienced we'll say, in what's happening in the stock market. So in your experience, when students walked into your class, where were they lacking in knowledge? And where did you focus your efforts?

Lou Schizas 02:17

Well, my students at the time Pat, were, you know, just at a high school, 18, 19, working their way through their education at Sheridan College, some went on to study at the university level, and so on. So they were younger people with not a lot of Moxie, if you will, Pat. And, you know, the best advice you can give young people like that is accumulate. So eat less than you make, put the rest of the way, index funds are a good way to go. Even, you know, mutual funds still have a place in the universe for people that are accumulating wealth. So that was my advice. And, you know, I ... my first lecture every semester, Pat, was a standard I called "the seven things you need to do to be successful before you graduate". And, you know, I mean, it's, when you look at education, the material that you're presenting is somewhat static, right? The stuff in the book is the stuff in the book, it's not going to change, okay? So you know, there's a lot of things in the world of finance, that don't change, like the law of 72, right, divide your interest rate into 72. And that'll tell you how many years it'll take for the money to double, if you're an investor, or what you're going to be putting out if you're a borrower, right. So that's not going to change, that math is standard. But there are things that you know, outside the classroom that you can learn, and I always advise my students, number one, to find a mentor, someone like yourself, Pat, that can show him the ropes. And I know you've done that, in your career when you were working on the street. And even when you were working in broadcasting, when I met you, you were helping a lot of young people, craft, manage, you know, artistically put stuff together in a better format. So you're familiar with the concept of helping people and you know, advising young people to find a mentor is the best thing possible. So in the world of investing, I would recommend you as someone to go to they can come to... me - my former students still come to me with various comments, right. You know, one, just the other day, Shakur, you know, saying you know, you gave me the best advice possible. Don't overcomplicate things, keep it simple. So, at the beginning, the best thing I can advise, until you learn more, is to use a diversified portfolio with either professional management or just static investment in an index ETF, for that sort of thing, and you know, just ride it till you accumulate enough to get serious about it.

Pat Bolland 05:06

Yeah, truth be told, we're sponsored by a robo advisor. So that'd be another way that you could go.

Lou Schizas 05:11

Right. And I'm not familiar with a robo advisor other than, you know, it's something that has got algorithms doing what maybe a live person can do. And you know, that can work as well. You know, as long as you're accumulating, if you're not accumulating and the only thing you're accumulating - accumulating assets - and the only thing you're accumulating is debt. I would say the clock is on ya. You better start running.

Pat Bolland 05:38

Oh, okay. So that's mentoring; keep-it-simple. Anything else in those seven?

Lou Schizas 05:43

Well, I always said, you know, get a job while you're in college. Well, you know, get, you know, either part time job or a full time job. In fact, you know, a lot of the kids in the college arena, they have to work, right? They have to work to pay the overhead.

Pat Bolland 06:00

I had to when I was a kid

Lou Schizas 06:02

Yeah. And I said, you know, if you could segue your way, or find your way into a field that you're studying, so if you're in finance, or economics, or that sort of thing. And you know, you were thinking that that was going to be your career, go and apply at a bank branch, and try and you know, get into their system, so that by the time you graduate with your brand new diploma, right, you've got two or three years experience, and they might look at you and say, You know what, we'd like the cut of your jib.

Pat Bolland 06:32

Yeah, yeah. Good advice.

Lou Schizas 06:36

Oh, you know, I had to work I washed dishes at the college view restaurant, and was happy for it, right?

Pat Bolland 06:43

Yeah. And I worked in the restaurant business, too. And that's where I learned how you serve people. And I, you know, it's great. Okay, that's what? We got 1, 2, 3 ... 3 of the seven.

Lou Schizas 06:53

Okay, so the other thing I would say, is you want to join your industry association. Right? Every industry has an association, right? And if you join when you're young, what do you think you're going to, Who do you think you're going to be meeting at the industry meetings? The movers and the shakers, the builders of the industry? Right? I mean, you don't see the slackers hanging out at the Industry Association. It's the people with 1000 things to do, but they're doing this for the future of the industry. And those people, you know, theoretically could become mentors, if they see you, you know, showing up and doing the job do you supposed to do, right?

Pat Bolland 07:31

Yeah. So plays into both of those mentorship and get-a-job and learn ... kind of thing,

Lou Schizas 07:37

Right? And attend industry seminars, and symposium, right. Like in the capital markets, as you know, there is a seminar, there is a gathering, there is a presentation every hour of every day. Now, that's learning outside the classroom. So take advantage of that ...

Pat Bolland 07:58

Listen to podcasts

Lou Schizas 08:00

Right, listen to podcasts, that's a good one. And the other thing that you can do, as well as you could look at accumulating industry credentials before you graduate. So you know, in the earlier stages of my

career, you could take the Canadian Securities Course and pass it without having to have an advanced degree or anything like that. Right? Well, when your resume showed up and said, I have the Canadian Securities Course, right - already passed - and the practices handbook, your resume tends to rise to the top of the stack, why? They don't have to wait for you to get licensed, right?

Pat Bolland 08:37

Yeah. You know what, though, that Canadian Securities Course, and I know people who've taken it over the years, it's gotten harder and harder. When, you know, we go back a long way and they were happy to teach you the information, but not, you know, test you as hard as they are now. Apparently, it's quite difficult.

Lou Schizas 08:53

Well, you know, Pat, I don't know, because I haven't written it in a long time. But I did take the course once, and I said, Well, you know, it's challenging, but that's what it's supposed to be. I mean, as you know, with any kind of licensing exam, it's not about an open door. It's about narrowing the opening. So, you know, we're keeping the riffraff out, so to speak.

Pat Bolland 09:15

Good point. No. Okay. So then you did the teaching for a few years and very successfully, do kind of miss what you used to do in the markets. And I know you and I used to talk about small cap, but you had a lot more on the plate than that.

Lou Schizas 09:31

Yeah, I ... you know, Pat, I do ... and I don't ... I mean, you know, when you're dealing with other people's money, there's a lot of tension that goes through the relationship. You know, win, lose or draw. I mean, I don't know if you'll recall, but in my experience, you know, if you make people money, it wasn't really ... you didn't get a pat on the back and an attaboy - you lose the money, they got a lot to say. So there's a lot of tension that goes with the relationship and you have to be prepared for that. I remember hiring an assistant at one point, and you know, I asked her, you know, I said, it was in the interview process. I said, Catherine, what's a mutual fund? And she started to stutter, you know that, that I'm getting ready to lie, you know, which is an early tell, of course. And then she just said, 'Honestly, I don't know'. And I said, 'Well, that's the best answer you could ever give me'. Right... 'I can't teach honesty. And obviously you thought better of, you know, stepping over that line'... Put her on the job - She's still in the business today. Well, I mean, you know, it's about trust, right? If I can't trust you, why would I give you my money?

Pat Bolland 10:36

Yeah, but you run into situations, and the geopolitics right now. And the market correction we're seeing right now, for instance, given the situation in Russia and Ukraine, that can try relationship?

Lou Schizas 10:50

Well, yeah, but you have no control over those elements. And I think that, you know, when you're looking at investing, the question becomes, are you investing for today, tomorrow, next month, next year, 10 years from now? I mean, if the investment horizon is too short, anything can throw you into a

tizzy, right? Whereas if you got a long term perspective, and you're saying, well, when do I need this money? Well, you know, when I used to advise clients, Pat, and they say, Well, I want to buy a house in two years, I said, Well, we're not going to take on a whole bunch of risk with this money, we could with some of the money, but you know, this is sacred money, you want to buy a house with that? No, we're not gonna, you know, roll the bones on, you know, something that is too high risk for your profile. And that's why you get back to your Know-Your-Client rules, right? You better know your clients, because if you're putting him into inappropriate investments, nothing good is gonna happen for you or for them.

Pat Bolland 11:44

I do want to focus on this geopolitics because I think, and I'd love your feedback on this, I think this might be an opportunity for Canadians. In that, and I'm not saying getting involved in any kind of war. But from the investment point of view, if you look at what Canada has, we have everything that Russia has, and what the rest of the world needs oil, you know, mining, those kinds of things. What are your thoughts on that?

Lou Schizas 12:11

Well, you know, Pat, the biggest concern that I have when you're talking about the extraction industries, right, is that a lot of them have been essentially legislated out of business. You can't build a pipeline, you can't develop a mine. I mean, it's a headache. Now, you know, what you're saying about geopolitics? Oh, yeah, tight supply, whatever is coming out of the existing infrastructure has got greater value. So there is an appreciation, in terms of the basic commodities, you've been talking about oil, gold, you saw it yesterday up like 29 bucks or something, right? People are concerned and supply is not expanding, it's being contracted. So even though we can't move as much volume as we'd like in Canada, whether it's minerals, oil, forestry, or what have you, the price of the commodities go up. And that's going to expand the value of the stocks of companies that actually do that kind of work.

Pat Bolland 13:07

The other component in the stock market that's been interesting, the last two or three years, has been the high tech space ... technology. And I'm talking about, you know, the Facebook's or whatever they call it now, or the Tesla's or those kinds of things. There was a ... there's a real push towards innovation and the opportunities that way, but those things can and have shown to come back and bite you occasionally, don't they?

Lou Schizas 13:32

Well, it depends on which it is right. Is it a fad like Peloton which was a great, you know, stationary bike with lessons and screens and all that stuff? They were a pandemic darling, and they fell out of bed as people realize that, you know, maybe I will get out of my house someday, right? Maybe I will take a walk at a cappuccino with Pat again, right, depending on health and all that sort of stuff. When you're looking at the tech space. You know, it's much like an emerging market, in that it's a high valuation. It's got a speculative component. And if you don't show up with the do-ray-mee every quarter, you're gonna get sold off.

Pat Bolland 14:14

Yeah, entirely true. Whereas you've got the old standbys, you know, financial services and banks have been one of the hallmarks of the Canadian stock market for a long time and continue to be so.

Lou Schizas 14:26

Well, yeah, I mean, that's, you know, Madeline just turned 18 last year. So first thing we did was, you know, open an unregistered account, open a TSFA. Open an RSP. Right. So I said to her, Well, what are you thinking? And I advise, you know, look at the banks, just like you're saying right now, and I said, you know, any bank that you like, and she said, Well, I like the Royal Bank. I said, How come she said, I like the lions.

Pat Bolland 14:56

Honest to goodness, truth. I like the lions too...

Lou Schizas 15:00

So I said to her, I said, Listen, these are dividend paying blue chip stocks, nothing has really disrupted the moat around their business. And I said, that's as good a call, as I've seen. Now, later, she came and says, I want to buy some weed, and I say, Hold on the phone. What do you mean, I want to buy some pot stocks, and we, you know, Canopy Growth. And I said, Well, what's your investment thesis? She said, I think it's going to be legalized in the States. I said, how much are you willing to commit to that? She said, 500 bucks. And I said, well, that's not a big bag of dough. You know, you could afford to pay some tuition if it goes wrong. And it did go wrong. Right, the thesis that the US was going to legalize pot over the course of the Biden administration. That's on the back burner right now. And, you know, the stock, I think she bought it at 28. It's at \$8 today, not a big hit, right, overall. You know, she did make money on dividends and growth in her Royal Bank. Right. But you know, the investment thesis was incorrect.

Pat Bolland 16:05

Yeah, but lesson learned, right?

Lou Schizas 16:07

Yeah. I mean, thus endith the lesson. Now, I don't want her to be afraid not to buy stuff. Right. In fact, we're coming up to the decision what to do with her 2022 TSFA? And so on. So we'll have a more nuanced discussion, if you will...

Pat Bolland 16:24

But then stick with the tried and true for the majority, and then maybe have some play money on the side, which is how you would describe that I would think ...

Lou Schizas 16:33

Well yes, speculative, right. Yeah, the US is gonna legalize pot. When? Who? Why? What? You know, it's like, it's hard to say really. So, you know, that was a win and a loss, but the win carried the loss. So we're okay for her.

Pat Bolland 16:50

Well, then we're running short on time. Any last thoughts? And before you do go, I want to make sure we do have coffee in the future ...

Lou Schizas 16:56

Yeah, of course, Pat, just you know, now that we're allowed to go out.

Pat Bolland 17:00

Yeah, exactly.

Lou Schizas 17:01

You haven't been chained to the basement any longer. The last thing I would say to your listeners, Pat is you know, take the time to identify if you're an investor, a speculator or a gambler, okay. So an investor will look for dividends, growth, steady history of paying dividends. A speculator is going to run after boom and bust resources, right, may or may not work out, a pot play maybe. And a gambler is just you know, betting on a lawsuit. Good luck with that. Yeah, identify your investment program

Pat Bolland 17:35

Bitcoin or some other thing.

Lou Schizas 17:36

Yeah.

Pat Bolland 17:38

Lou, always a pleasure talking to you,

Lou Schizas 17:41

Pat loving it. We'll do it again. And we'll have that coffee ... Happy Capitalism.

Pat Bolland 17:47

Thanks, Lou Schizas.