MedTech Wealth Advisor Podcast Episode 14: Investing for Decades Not Days

[00:00:00] **Voiceover:** Welcome to the MedTech Wealth Advisor Podcast, a show dedicated to teaching professionals and entrepreneurs in the MedTech field how to save more money, pay less taxes, and become financially independent. Join certified financial planner professional Matthew Nelson as he draws from years of experience and speaks with guest experts to solve the biggest challenge, aligning your money with your values while thriving in the mission-driven world of med tech.

[00:00:32] **Bill Tucker:** Hello, and welcome to the MedTech Wealth Advisor podcast with your host Matt Nelson. Matt, good to be with you. I, uh, I understand today's episode you're gonna delve into a little bit of the investment philosophy that you follow.

[00:00:47] **Matthew Nelson:** Yes, we are. I, I'm looking forward to it. I mean, I mean, last episode we, we got to meet Matt, hear a little bit about his background.

[00:00:55] **Matthew Nelson:** Matt Finley, my partner. Uh, I thought this would be a perfect time to just bring him back and he and I could just chat about what we have put together in our collective belief system. Mm-Hmm. Uh, for how we, uh, how we run portfolios and, and manage money for our clients. you know, it should be a good discussion.

[00:01:14] **Matthew Nelson:** there's a lot to it and to try to. Try to reduce it down to a, you know, a half hour episode is, could potentially be a challenge, but, uh, I think, we'll, we'll give it a shot. I think we'll be o be okay here. So, you know, just as way of introduction, when we formed a [00:01:30] partnership a, a few years back, Matt, we were mostly aligned on our investment philosophy, our financial planning philosophy. I, I don't think either of us had formally spelled that out, for ourselves. And so, you know, it was just a great exercise when we came together to just get really clear on, on the why, like on, on why do we do things that we do for investment portfolios.

[00:01:52] **Matthew Nelson:** Strategies we have, what is it that we're really doing for, our clients? And, um, you know, not only as we make day-to-day

decisions, but just so we can clearly explain it to clients, do you kinda remember back to that time and, and as we were just Oh, yeah. Spitballing. Yeah.

[00:02:09] **Matt Finley:** I mean, o obviously we, we ran our own client portfolios, prior to our partnership and you know, like you said, we were pretty closely aligned, but Getting those aligned on a practical basis, taking care of our clients and our portfolios. and, and then actually having a philosophy that we agreed on and write down, you know, it takes, takes some time.

[00:02:30] **Matthew Nelson:** It does. It does. And it, and it's, it's a lot different. It, when you think about, making investments for yourself, let's just say as a do it yourself investor, Whole lot of different decisions you can make and ways you can approach things. Then when you're doing that on an institutional level for, you know, hundreds of clients, you know, hundreds of millions of dollars, you, you need to make decisions that are, defensible that you, that you weren't trying to make knee jerk reactions on any given day.

[00:02:58] **Matthew Nelson:** And so [00:03:00] I think what we've come together to believe in how we run portfolios is working really well. And I have a lot of conviction around it. So let's just jump in and, and I'm gonna preview so that we kind of boiled it down to a nice, nice tidy six numbers here so that we could kind of match up with our, with the group name.

[00:03:16] **Matthew Nelson:** How's that for marketing cachet there, bill?

[00:03:19] **Bill Tucker:** I'm impressed. I'm impressed.

[00:03:21] **Matthew Nelson:** That's good.

[00:03:22] **Bill Tucker:** Prospective six has six points to talk about. Exactly.

[00:03:26] **Matthew Nelson:** So the, the six are that, that number one, we, we are investors versus speculators. We believe in staying invested versus market timing. there's, belief that the loss of buying power is, is the real risk, versus just fluctuating principle.

[00:03:42] **Matthew Nelson:** we favor being owners versus lenders, and we think long-term economic data is much more important than a lot of the industry opinions you see out there. and finally, portfolios for income. I. They're not the same as portfolios for accumulation. So a lot to unpack there. We're gonna jump in. Anything you wanna say before we kick off, Matt?

[00:04:04] **Matt Finley:** Nope. I think that's a good, uh, preamble.

[00:04:07] **Matthew Nelson:** Okay.

[00:04:07] **Matt Finley:** And I think we can just, uh, describe these as we go.

[00:04:10] **Matthew Nelson:** Yeah. So, you know, what do we mean by when we say we're investors versus speculators? you know, the thing is. This comes with a, a, a sense of belief that the power of growing global economies is gonna result in a, in a compounding of, of investment returns over time.

[00:04:26] **Matthew Nelson:** That just in general, we can see that the [00:04:30] economic, forces at play all over the world, particularly in the US, are going to and continue to create wealth. And so we wanna be part of that through the investment markets. you know, as advisors, really what we're trying to do is, is help clients create a, a, core portfolio and not just a store up the wealth that they're accumulating, but to be able to use that for, for later use.

[00:04:52] **Matthew Nelson:** So if you think about what's really happening in, in a, um, a financial planning situation, someone goes to work, they trade their time for money, and some of that money they need to use today, some of it they have to store up. Pretty simplistic way to think about it. But that stored wealth, you know, they have to use that at some point, and costs are gonna be much higher when they need to use it.

[00:05:14] **Matthew Nelson:** So the, the biggest piece of this is that we, we need to be investors for the long term, for, decades versus days. Um, and not just speculating and jumping in and outta markets. that really creates us. We, we have to kind of have a, a focus on high quality, consistency, sort of predictability.

[00:05:33] **Matthew Nelson:** Matt, anything you want to kind of add to how you think of that?

[00:05:36] **Matt Finley:** Yeah, that's, that's exactly what the, the last statement you said. Um, some form of predictability. cause when we're doing financial planning, we are, you know, the further out you get, the more, unsure the data is of course. cause today's effect changes.

[00:05:50] **Matt Finley:** 20 years from now bigger, but to be able to project out and make some assumptions for somebody's retirement cash flow needs as an example. to achieve that, we have to have some [00:06:00] predictable. Growth

rates. and there's obviously, that's another conversation in how we go about that, the predictable growth rates versus actual returns.

[00:06:08] **Matt Finley:** but that speaks to our core belief of, of being invested, and growing economies, create a growing stock market.

[00:06:17] **Matthew Nelson:** Yeah. Yeah. It's, and it, I think maybe if you think of it this way, it's, it's not about making the most money possible for clients. That might be a, something you would, you would look toward if you were speculating.

[00:06:29] **Matthew Nelson:** You know, how do I get rich quick? really what we're trying to do here is, is we're trying to protect clients from losing time, from losing, losing out the, the long-term growth that the public markets are have available to offer. So it, it really is a protection. Um, it's not, when I say protection, I don't mean from like losing money to the downside.

[00:06:49] **Matthew Nelson:** I mean just literally losing out on. Essentially the returns that are there for the taking, they just have to be invested. Correct. Um, and, and unfortunately, what investors experience versus what the investment markets provide are often very different things. So it's, yeah. To your point, Matt, having predictable averages is gonna get us a lot further than sort of these unreliable, but maybe like skyhigh returns, everybody's hoping for.

[00:07:18] **Matt Finley:** Right, and, and we'll get into, um, staying invested versus market timing, but that it kind of plays into that. And between, um, financial industry and your coworker next to you, [00:07:30] it's all about fear of missing out. and Absolutely. And you know, that speculation therefore that comes into that. Just like we were talking about going to, uh, you know, you go to a casino and people never tell you their losses, they tell you their gains. Well, that's what your cube mate's telling you. Right? Right,

[00:07:47] **Matthew Nelson:** right.

[00:07:47] **Matt Finley:** but we'll, we'll talk about that here in a minute. For sure.

[00:07:50] **Matthew Nelson:** It's not a game as it's not a game.

[00:07:52] **Matthew Nelson:** It's not a game. And so, you know, along with this, we, as we think about being investors versus speculators, so that that's gonna, part of this, this philosophy is that. Is, leads us to the types of

investments we use. So we, we, we tend to stick with, highly liquid, publicly available investments, publicly traded markets.

[00:08:11] **Matthew Nelson:** and, and that can sound kind of boring, like, well, well where's your sort of like, exotic, you know, fund stuff. Well, there really isn't a place for just a bunch of fun stuff in core portfolios. We need to cover them with predictability and, and liquidity. there is a place I. For some investors after really that core portfolio has been, established, and we have our goals kind of in place, to add additional pieces to the, to the outside.

[00:08:38] **Matthew Nelson:** you know, for instance, in in private, private equity, you know, so a non-publicly traded companies, startups, real estate, physical assets, all of those have a place potentially in a portfolio, but not for everybody. I.

[00:08:52] **Matt Finley:** And actual real estate. Yes, I liquid real estate. So they can take advantage of the real benefits tax [00:09:00] income versus just buying, real estate ETF.

[00:09:03] **Matthew Nelson:** Yeah, that's right. That's right. Exactly. Exactly. So there's reasons to add those additional, uh, doing them in the, in the right way is, is, um, is, is super important. And, and just a little bit more on this before we jump on to kind of number two in our, core belief. Um. When we were prepping for the show, Matt, we, we talked about, well, when does it make sense to add pieces to the portfolio?

[00:09:25] **Matthew Nelson:** And I'm not saying that we, we necessarily do all of these things for clients, but when should a, an investor have these additional pieces of their portfolio and how, how would they think about doing it? so we just kind of went through our, our, our process on that. We started with liquidity is the most important.

[00:09:42] **Matthew Nelson:** That's why we use the publicly traded. Investments, um, you're gonna get average returns with publicly traded. When I talk about publicly traded, I'm talking about the stock market and in quotes, you know, the s and p 500, the, the Dow Jones, you know, sort of these well-known indexes. now there's a place, I'll start with this one.

[00:10:01] **Matthew Nelson:** There's a place for private equity people can make a ton of money investing in, uh, startup companies, right? It's a shiny object to chase. It's like, well, I just wanna find the next Google. Well, okay, first of all, good luck. There's, there's a lot, uh, a lot of choices there. Um, but when you

think about private, private equity or startups realize that what you're doing there is, you're investing in a business, it's not the [00:10:30] same as buying a stock.

[00:10:31] **Matthew Nelson:** Okay. And what I mean by that is, you are much more, you're cl much closer to the ground level of what's happening. we, we talked about our company the same way running our practice. The business that we have, uh, is probably the largest piece of my, of my wealth. You know, if you looked at my personal wealth

[00:10:51] **Bill Tucker:** Mm-hmm.

[00:10:51] **Matthew Nelson:** If that much was in a single stock, it would be terrible. We scream Yeah, that's right. Any, any advisor would say, that's a terrible idea to have that much of your portfolio in a single bus. But the difference is we're running a business. We we're, we're personally invested, we understand what's happening, we can con control the levers.

[00:11:10] **Matthew Nelson:** makes sense to be overly, concentrated into that sort of private company investment when you're buying. startups are private equity, uh, that you're not running, you have no control. And a lot of it's just a, it's like shooting dart or, you know, throwing darts at this point. And so in order to make that work and get the kind of returns you hear about in private equity, you have to buy a lot.

[00:11:32] **Matthew Nelson:** Diversification is the key. So number one, don't, do not go out. If you're listening to this, do not go out and just Next startup your friend tells you about that sounds like a great idea. Just throw a chunk of your portfolio at that. You have to go about it very, very methodically and plan to have probably 20 or 30 different holdings for the, for to make it work.

[00:11:54] **Matthew Nelson:** Um, I heard a statistic that, uh, you know, for about every 10, private equity investments, six or seven [00:12:00] six or seven of 'em are gonna go bankrupt. maybe two or three break even. Maybe you hit it big on one and that's gotta make up the losses for all the others. And so while the returns can be there in private equity markets, you have to be able to invest a large enough dollars to capture a large enough number of these investments to actually get a couple that do well.

[00:12:25] **Matt Finley:** Point, and it's a hundred percent at risk money

[00:12:28] **Matthew Nelson:** and it's a hundred percent at risk money. So case in point, what for most people, it just doesn't make sense. They, their core portfolio needs to be in apu in public markets, they're liquid. Uh, they don't have the size of the portfolio to devote a piece to doing these private equity pieces.

[00:12:41] **Matthew Nelson:** you know, so you have more experience in the real estate side. Matt, talk about how maybe there's some parallels there with real estate.

[00:12:47] **Matt Finley:** Yeah, so obviously real estate's pretty simple. It's, it's extremely illiquid. You have to have a buyer for your sell, and you have no control over the market. it can take days to months to years to sell the real estate.

[00:13:00] **Matt Finley:** If you own a. A hundred unit apartment complex that might take a long time to sell. the idea with real estate, to invest in a privately like this is to take advantage of the, the tax savings you can get. And of course, hopefully the income you can drive off of it, which in the real estate world, you typically want our use to reinvest into additional real estate.

[00:13:21] **Matt Finley:** Sure. Right. So it, it really is, a way to make some great long-term. Tax efficient money if you [00:13:30] have similar full at-risk money available to you. Yeah, so again, for our typical client, even though we work with some pretty, um, high net worth clients, it still has to be money above and beyond their projectable needs, and they have to be willing to take a complete a hundred percent loss on it if they're going to even consider private equity.

[00:13:53] **Matt Finley:** And it might, you know, I, I think in real estate too, it has to be that same type of mindset, right? 'cause it might be a 20 year hold before you can liquidate. And I don't know what real estate's gonna be in 20 years.

[00:14:03] **Matthew Nelson:** Right? Right. Exactly. And, and the last big one, I, I think would be maybe like other physical assets.

[00:14:09] **Matthew Nelson:** We get questions occasionally about gold or should, should we own commodities? You know, like, what about art? You know, all these things you hear where, oh, you can get great returns in, in, you know, in this, why, why do we have all these stocks? Because you sort of have to be honest with yourself when you think about those that you're now making a speculation of, you're, you're making a speculative bet on the price movement.

[00:14:29] **Matthew Nelson:** That gold for some reason is going to improve dramatically faster than the rest of the entire economy. The stock market, it doesn't pay anything, doesn't pay any interest, costs you money to hold it. Same with commodities and art. So, so the, the reality is that there could be a place in the portfolio for pieces like that.

[00:14:47] **Matthew Nelson:** We're not saying that, that, that you should never have them but realize what they are. So, as part of this kind of tenant, we're, we're focused on here is, you know, our, our first piece of our credo really is that we're investors [00:15:00] versus speculators. and being investors means we're gonna hold a pool of publicly traded investments for a long period.

[00:15:08] **Matthew Nelson:** there's a place maybe for, maybe, maybe for private equity for real estate if you have your core portfolio covered, but only if you can do it directly and, and have enough money, allocated to it. And, and the other piece is the alternatives. Like these physical assets, just realize what they are.

[00:15:26] **Matthew Nelson:** You're not really investing in them, their, their speculations.

[00:15:30] **Matt Finley:** Yeah. 'cause the, the acquisition and selling component of physical gold, physical art, things like that, is very, taxing might be the right word. Word, absolutely right. That's right. Um, it's, it's very costly to do that. and, you know, conversations we have with people all the time are, okay, what, what is the reason you wanna hold?

[00:15:53] **Matt Finley:** A gold, you know, a significant amount of gold coins or something like that. Okay? You're afraid about X, Y, Z, right? And so, but now again, I'm not anti. Gold as an example. Um, I do think it can have a place, but it has to be a logical investing reason because again, we're not speculators, we're investors.

[00:16:14] **Matt Finley:** 'cause we're looking at 30, 40, sometimes 50 years with our clients that that money has to survive.

[00:16:20] **Matthew Nelson:** That's right. Yep. Exactly. So the, the, the second tenet of our, of our philosophy here is really that we believe in staying invested versus market timing. So we kind of touched on this just a little bit [00:16:30] already, but, um.

[00:16:30] **Matthew Nelson:** when we realize that we're investing for decades, not days, you know, that speaks to that speculation side too. But, but we're gonna stay invested. Okay? Market timing creates, creates a lot more risk than reward typically, at least the way we view it. when I define market timing, what, what I should just put some, some connotation to that.

[00:16:50] **Matthew Nelson:** We're referring to sort of going all in or all out with your portfolio or even, or even in really significant ways, hitting points in the, in the news cycle, which is usually what drives this kind of stuff. where it, it's just, oh, well, the sky is for sure gonna fall next week. I for sure need to sell half my portfolio so I don't lose out and become a bag lady living under a bridge.

[00:17:15] **Matthew Nelson:** For the rest of my life. You know, that's kind of the, the, the fear that goes around that. but we, we tend to believe, again, tenant number one, if we're investors, we're buying swats of the entire global economy. We can stay invested for, for long term. Now, Matt, you have, brought to the table some, some ways to think about how there may be some room to adjust around the edges for some viewpoints.

[00:17:41] **Matthew Nelson:** That still marries that with, with our thinking that we're never gonna be all in or out or we're all out of a portfolio. So speak to that a little.

[00:17:49] **Matt Finley:** Yeah. So obviously, uh, the core of our, portfolios, we want to stay invested, period. around the edges, so to speak, gives us some opportunity [00:18:00] based on long-term economic data, maybe historical technical data, to make some adjustments and take advantage of some opportunities.

[00:18:10] **Matt Finley:** an easy one to. To relate to for a client. Uh, maybe if the stock market is down 30%, that should be much closer to a buying opportunity than a selling opportunity. and while we stay. Fully invested with the core of the portfolio, we may have some opportunity on the edges to adjust what we're invested in.

[00:18:31] **Matt Finley:** so it's not a market timing, it's not, it's, it's more of a logical or an economic approach. I believe it was Warren Buffet who said, uh, he didn't wanna buy a position unless he was willing to hold it for his entire life. but He does take profits and he does take different positions.

[00:18:47] **Matt Finley:** and he'll sell, let's say he sells half of a position. He has, well there's a, a logical reason he's doing that. It's not trying to time I. The market that that stock specifically is done on its run type of scenario. so there's economic basis, if there's significant gains in a position or it's, or, uh, another easy example is, rebalance scenario.

[00:19:10] **Matt Finley:** if a position we hold has far exceeded the rest of the portfolio in return, that may be one of those opportunities to trim back to our model. Positioning and take those profits. Right? Yeah. And then reallocate that somewhere else.

[00:19:25] **Matthew Nelson:** Exactly. Yeah. The, what we, we saw recently that's [00:19:30] still pretty recent with the, the, the covid crisis that, made the markets of, 2020 pretty ugly.

[00:19:35] **Matthew Nelson:** that'd be an example of, of a reaction, uh, an investment market reaction that, Probably created opportunities to add a little risk to portfolios, right? So, it's, is that market timing? Well, not in our view or in our view that's saying things are drastically on sale. This probably makes some sense to add a little bit more of what's on sale.

[00:19:57] **Matthew Nelson:** and as things, return or, or come back to, to some form of normalcy, maybe just kind of return to our more target allocations. we could go on and on about this kind of points. we need to get onto to the other, the other few we have. But, but in general, so staying invested, versus trying to jump in and out, but I think that leaves room to, to adjust around the edges with some prudence.

[00:20:20] **Matt Finley:** Some data, some prudence, some opportunity. it does allow us to minimize the noise. Yes. Um, I think is how we, we often describe it. Noise being what's on your financial media, what's on your social media, what's your, neighbor or coworker are, are talking about. and put some real history to it, whether it's the outbreak of a war or Congress not acting right, oftentimes noise that we can see through because we do have that longer term economic approach.

[00:20:52] **Matthew Nelson:** That's right. So number three is that we, we believe that the loss of buying power is the real risk [00:21:00] versus just a fluctuation in principle. You know, temporary price fluctuations in a long-term investment are immaterial. it's kind of the, the idea that if you had pricing information on your house every day.

[00:21:15] **Matthew Nelson:** You'd be a lot less comfortable holding that house. Okay? You don't think about it. You're living there, you're using it, to you. And real estate only goes up because about the only time you care about it is every few years when you happen to take a look at it and decide, well, if we sold the house, what would it be worth?

[00:21:31] **Matthew Nelson:** Then it's worth more. But that's, guess what? 'cause you didn't look at it for several years. so The real risk here is not that your portfolio is moving up and down, it's that you can't actually keep up with buying power.

[00:21:42] **Matt Finley:** Right. Inflation, the compounding effect of the markets that we love has the same negative effect and the compounding effects of inflation.

[00:21:50] **Matthew Nelson:** That's right. Inflation. I mean, it's, it's sneaky. It's kind of a, it's dead deadly, really to an e economic wellbeing. and so because of that, we, we typically are encouraging clients to take More risk really with, holding stocks in their portfolio, you know, often holding more in their portfolio than sort of like the industry.

[00:22:09] **Matthew Nelson:** gurus will tell you for your age, um, we will get onto some sort of fallacies that we try to stay away from here in, in a little bit. but the realistically, The biggest risk is a loss of purchasing power and not temporary fluctuations. just ignore what the portfolio is worth.

[00:22:25] **Matthew Nelson:** Uh, in the meantime, number three, or number four, I should say. these all kind of link [00:22:30] together. So number four is we'd believe in being owners versus lenders. Just to the point above, if really the risk is loss of purchasing power, well, how do we kind of keep up with inflation? Uh, we think the way to do that is to, to own more stocks, to be owners of companies, not lenders, not owning lots of bonds.

[00:22:49] **Matthew Nelson:** it sounds maybe to, to a, a seasoned investor that may sound, the basic, like, of course, you know, stocks earn more than bonds. But I don't think it's taken to heart the same way as like there's almost no reason to have bonds for return in your portfolio. Bonds play a a whole different role.

[00:23:09] **Matthew Nelson:** They're there to maybe create a little ballast. They might be there to set aside money if you need to spend it. We'll talk about that in the retirement section. you gotta think about we're, we're, we're looking at ownership and some of the best run companies in the world. if you had your

chance to, in retrospect, invest as an owner in Google versus just lend them some money to build their facility, like, what would you do?

[00:23:33] **Matthew Nelson:** and so think of it that way. Any comments on that, Matt?

[00:23:36] **Matt Finley:** Yeah. It actually ties into the real risk we believe is inflation. if inflation, let's say over the last decade, I think the numbers around 2.7% annualized. Bonds over that same time, US bonds over that same times, only about 1.6% return.

[00:23:52] **Matt Finley:** Annualized stocks, on the other hand, about 12.5%. So now we can look out further, [00:24:00] right? We could look out 30 years and maybe bonds because they were paying higher in the nineties and early two thousands would keep up with inflation through that time. But you're still missing out on the power of the.

[00:24:12] **Matt Finley:** Equity returns, in an over 30 year period. The s and ps outperformed the, the US aggregate bond market, you know, by 1500%. So that just kind of speaks to our core belief of being owners versus lenders.

[00:24:27] **Matthew Nelson:** Yep, absolutely.

[00:24:29] **Matthew Nelson:** And there's no guarantees either way, right? I mean, you can't, you're, you're not guaranteed to getting your money back from a, a bond or a stock. You may, you may as well be an owner and, and kind of. Have the upside. as long as you're not speculating, you're not just jumping into a stock to try to flip it the next day.

[00:24:42] **Matthew Nelson:** If you're investing, take ownership in the company. Right. So number five, just moving on, to number five. So we believe in long-term economic data over industry opinions. This is a particularly a thorn in your side. Matt, I want you to kick this off.

[00:24:57] **Matt Finley:** Yeah. So it's. Economic data is, and it's all tied together.

[00:25:01] **Matt Finley:** So the, the performance of our stock market and the companies that make up the stock market, is a significant portion of our. Us economic data, and you could look globally as well. but if you look at the long-term economic data, it can be a roadmap for what's happening or where we're

going, whether it's, a good positive trend, maybe slowing down trend and so forth.

[00:25:25] **Matt Finley:** unfortunately in the financial realm, we get a lot of [00:25:30] selling of product or selling a company specialty. And you even hear that on, You know, financial media, you gotta be really careful about who's saying what and why. And if you just look into the why. then oftentimes you understand what's going on.

[00:25:43] **Matt Finley:** So a lot of fear moners on, uh, you know, the financial media, well, they might be a bond shop, and so they want people to move from equities to bonds, and so they're gonna get onto the show every week and talk about that. Or they might own a gold shop, or they might be a, a mid-cap equity shop. That's what they specialize in.

[00:26:02] **Matt Finley:** And so they come knock on our door as a firm and. try to drum up that business. so simply in our careers, we've learned to try to, again, much like we recommend clients to ignore that noise and understand the long-term bene, that's what we try to do as well, is what is the intent behind it?

[00:26:22] **Matt Finley:** Let's look at the historical information. and so that's, I, I think that's where we've really. dialed in on our core beliefs that economic data speaks the truth.

[00:26:32] **Matthew Nelson:** Yeah, absolutely. Yeah. And, and don't follow the industry rules, you know, so, right. So not only, you know, just what to, speaking of what you, you were saying, it just, what's really the incentive behind the I.

[00:26:42] **Matthew Nelson:** The so-called wisdom or advice, you're being delivered. Um, but then there's a lot of just industry rules that become this rule of thumb and do this, don't do that, do this, don't do that. And I wanted to point out a couple of them that we, we kind of, sort of reject mm-hmm. This commonly understood.

[00:26:57] **Matthew Nelson:** So for instance, just using a an asset [00:27:00] allocation portfolio, just a portfolio that has a, a little bit of everything and, and always hold it. Well that makes sense. You know, don't put all your eggs in one basket. that, that sort of idea, gets extrapolated to mean you should always own part of everything.

[00:27:14] **Matthew Nelson:** Right. Well, as we saw for a great example as we saw in 2022, you just simply held a bunch of bonds and a bunch of stocks, 'cause you're just supposed to do that. Well, bonds really got hurt in 2022. Worst ever. And, and you could, the economic data said that that was going to happen. It just, that was the mathematical fact.

[00:27:35] **Matthew Nelson:** Now is that a market timing issue to, to not hold something? No, it's just looking at, we're investors, versus speculators. We're, we're, we wanna own, that, but there might be times we wanna adjust and just holding a bunch of, different assets just with the blind belief that holding a little bit of everything protects you is just, it's just uninformed.

[00:27:53] **Matt Finley:** I think it actually speaks Matt to our fiduciary responsibility to our clients if we know economically that something, is happening such as inflation, and we know the effects of that on different asset categories, and it's perceived as negative, and we have the opportunity to, to maybe help that a little bit.

[00:28:16] **Matt Finley:** That's that opportunistic approach that we have to take around the edges to, in that case, try to minimize that inflation effect.

[00:28:24] **Matthew Nelson:** Yeah. Um, knowing that we could, we're we, every time we make a choice, we could get that wrong. Right? And we have [00:28:30] to accept that every time we make a call that, that, uh, the stock market is going to continue.

[00:28:35] **Matthew Nelson:** It might not, you know, that, uh, bonds will go up. It might not. And so that's why we're very careful when we say. Adjust around the edges, but just a couple others that, you know, just kind of things that, that are rules of thumb that, that we don't necessarily, follow all the time. just owning a bunch of bonds because you got older, your age has nothing to do with your asset allocation.

[00:28:54] **Matthew Nelson:** It really shouldn't. Right. It ha it has, you know, may maybe there's, there's a side effect that generally as you're older. It may mean that you need to spend some of your portfolio. That might mean what you're spending is set aside in, in a little bit less, volatile or, or fluctuating, parts of your portfolio.

[00:29:16] **Matthew Nelson:** But it has nothing to do with, with your age. Just that means you should own cash or bonds or anything like that. Yep. dividends. Dividends is a, that one, this one bugs me. Uh, that, that somehow. If you want

a safer portfolio, just buy a bunch of dividend stocks that they're more consistent. That, that it's, it's somehow better there.

[00:29:35] **Matthew Nelson:** They're just all different reasons why you would own, dividend stocks. And, and what I like to think about is, is look, the, if a company, if Apple sells a bunch of iPhones and makes a bunch of money doing that, and then that year they just gave all the profits back at dividends. They don't have a whole lot left to do further research, do r and d to invest in the, in the company and, potentially grow the stock [00:30:00] price.

[00:30:00] **Matthew Nelson:** So, I'm not saying dividends are bad, but when companies just constantly return all their profits to you, it has to naturally offset some of the, the growth potential. And you have to take that into account. It's not one is better than the other. It's Just kind of leaving this belief behind that you always do this, you don't do that.

[00:30:16] **Matt Finley:** Yeah. 'cause at the end of the day, for us, we view it as total return is the right answer.

[00:30:22] **Matthew Nelson:** Right?

[00:30:23] **Matt Finley:** Right. and so therefore, we wanna analyze a segment, a sector, a stock. For its total return potential, not just it's, uh, maybe it's in a mutual fund world, like a fee conversation, right? Um, right. I still want the total return benefit, even if it cost a little more.

[00:30:41] **Matt Finley:** Or in this situation, maybe the dividend stock is a great holding to have it, or as we'll get to a number six, why we would possibly want some dividends. That's right. That's the bigger question.

[00:30:53] **Matthew Nelson:** That's exactly right. So, yes to, so as we're getting along here, let's jump on to number six, which is that really investing for retirement income, it, it needs to be different or approached a little differently than just investing for accumulation.

[00:31:07] **Matthew Nelson:** now what, what I mean by that is we, you don't necessarily have to hold different investments. It could be that, uh, that um, right before. You, retire or, or reach a point where you need to spend from your portfolio and right after your holdings. core of those holdings could be similar, but, just simply, having a big asset allocation portfolio [00:31:30] like we talked about in the sort of the, The rules of thumb that the industry is espouses, right? And just selling a little bit at regular increments and then spending it, that may

not be the best approach, we think of, retirement portfolios or, or portfolios that need to be spent from as needing to be divided up into, sections, maybe buckets.

[00:31:50] **Matthew Nelson:** You could think about 'em as, as, as buckets. So talk to that a little Matt, as as to how we. do that and maybe why.

[00:31:57] **Matt Finley:** Yeah. So for. We'll just speak like an average client. cause everybody's needs are slightly different. But an average client, if they're taking income, and they've, done a good job at saving their assets, we want to, have a different strategy for that that is geared towards.

[00:32:11] **Matt Finley:** Protecting that income need. And we specifically target roughly five years of income that we wanna protect in that nature. of money that they'd have to withdraw from their accounts. And we're not necessarily after growth out of that money, although we'll get growth. but that it's protecting that and we refill that in a very strategic way that we don't have time to go through today.

[00:32:35] **Matt Finley:** But what it tends to do is the remaining portion of their portfolio, we're allowed to push more for the growth because a typical retiree still has 20, 25, sometimes 30 years. Their money needs to last, and that gets back to why a 50 50 portfolio might not work for 'em. To cover 30 years. And so, again, getting away from the industry, [00:33:00] rules of thumb, so to speak.

[00:33:01] **Matt Finley:** We believe in, a portfolio mix should be more geared around what income they need in retirement and that dictates their. allocation, if you wanna look at it that way, versus their risk tolerance versus their, their age as an example. and. I don't know if that explains where you wanted to go with that, but Yeah.

[00:33:20] **Matt Finley:** That's allows us to protect actually their, income needs and still grow their assets.

[00:33:25] **Matthew Nelson:** Yeah. That, that, it's exactly right. It's, the idea as you, as you alluded to that we, we look at it from an income need standpoint versus just a perceived risk tolerance standpoint. Okay. And the reason I think perceived as a key word in there you know, years back, this is how I did things for her.

[00:33:43] **Matthew Nelson:** For retirees. Okay. kind of industry standard of, well, how aggressive do you feel? oh, well, oh, well I don't wanna take any risk.

Okay. I don't want that. The, you know, client of course would say that I don't wanna take any risk that who, who wants to take risk? Um, okay. So you need, you're a conservative investor.

[00:33:57] **Matthew Nelson:** Yeah. I'm, I'm very conservative now. I wanna, I want about, you know, 30 or 40% return, but I don't wanna have any risk, you know, that's kind of like two opposing views. Right. Per this idea of a perceived risk tolerance, it's very difficult for clients to really know themself. I think far too often leads to portfolios that are, more conservative than they should be.

[00:34:17] **Matthew Nelson:** They're, they're far too conservative. So if we flip that and we say, what's really the need here? Okay, you, you have this portfolio that's worth, you know, a million dollars or $2 million, whatever the number is, you need to [00:34:30] spend. Just this portion of it per year to supplement your other, your other sources, your pension, your social security and so forth.

[00:34:37] **Matthew Nelson:** well maybe that amounts to, you know, just, uh, one or 2% of the portfolio value. Well, if we carve off enough to protect income for say, the next five years, now we can turn around and say, look, no matter what happens, at least the next five years, we have in a very conservative. A portion of your portfolio to spend from.

[00:34:55] **Matthew Nelson:** You don't have to worry about it at all. The rest can be invested for growth. There you go. We've now just backed into how aggressively they, they really are able to invest, not just based on what they kind of are guessing, you know, finger in the wind. So Right

[00:35:10] **Matt Finley:** and aside benefit to our strategy, is that, uh, when markets are down, we don't have to sell on the equity side to send money to 'em.

[00:35:19] **Matthew Nelson:** That's right.

[00:35:20] **Matt Finley:** And, and that is, the traditional industry model actually requires selling in all markets. And we've seen that damage clients', future prospects, significantly. I.

[00:35:32] **Matthew Nelson:** That's right. That's right. That's why we're shifting. Well, this is good. I know we could go on for, for quite a while, about all this.

[00:35:38] **Matthew Nelson:** And so, you know, just kind of to, to summarize, it's, it's, look, if you want to have an invest a, you know, successful investing

experience, I. You need to identify just your, your core investment philosophies. We've laid out hours, you're gonna do this on your own. You know, take the time to kind of write them down and decide, this is how I'm gonna go about building a portfolio.

[00:35:58] **Matthew Nelson:** even, even using [00:36:00] what we've laid out today, which sometimes seems very broad. It does, drive day-to-day decisions of what you buy, when to sell it, when to, when to hold it, and so forth. let that form your portfolio decisions. you know, just kind of wrapping it up. Did, we strike a chord for you, bill?

[00:36:15] **Matthew Nelson:** Do you have any words of wisdom?

[00:36:17] **Bill Tucker:** Yeah, I, I had, I had a couple of, I actually had a couple observations and maybe a question or two. One is it, it, it has always been interesting to me when people talk about dividend income. Because what they need to remember that it is, that it is tied to the price of the stock, which changes the overall income of the stock, number one, right?

[00:36:37] **Bill Tucker:** It also mitigates the loss associated with the stock if you're holding it. So, if you're getting a, if you're getting a 4% return on a stock and that stock goes down and it's stock. Price loses value. You have technically lost value in your portfolio, but it's offset by the, in, by, by whatever income you've got coming in on that.

[00:36:58] **Bill Tucker:** So I think people sometimes think, oh. Income from dividends is somehow sacrosanct and always there and to be relied upon. They need to understand that it's tied to an equity, it changes Exactly. Fundamentally tied to an equity, right?

[00:37:12] **Matthew Nelson:** That's right, that's right. Yeah. Look, could look very different six months after you purchased it.

[00:37:16] **Matthew Nelson:** and so, yeah. Yeah, and, and it's, and it's that, you know what I talked about earlier too, it's, there's no free lunch. So if you're getting a bunch of the profit back in the form of a dividend. Naturally the price of the stock is gonna have to grow a little slower. So it's [00:37:30] okay. Just decide. Just know what you're getting and why you hold it.

[00:37:34] **Bill Tucker:** Yeah, exactly. And the other thing it's interesting, is that I still hear people talk who think technology is something to shy away from in my argument, like it aggressive or something back. And I wanna, and I

wanna hear both of you respond to this, my argument back is always. Technology today. Is what?

[00:37:52] **Bill Tucker:** Proctor and Gamble and what, yeah. General Mills was once upon a time because we, our lives are intertwined with massive amounts of technology, and so I'd love to see if you, you think we need to, We talk to your clients and say, Hey, technology has an, an appropriate real place. It's not the shaky, weird, speculative body right.

[00:38:16] **Bill Tucker:** Anymore. It's, it's part of your life everywhere you look.

[00:38:19] **Matthew Nelson:** Yeah. Right. Back to the, the idea of a, you know, the nasdaq, you know, and prior to 2000, you know, it's like investing in the Nasdaq is basically investing in technology and that's super aggressive. That was the, the, the idea, right. The understood.

[00:38:34] **Matthew Nelson:** Yeah. To your point, I mean, now here we are. is Apple really an aggressive tech company or is it actually a cornerstone to the entire global economy? Like, uh, it's, I I would probably lean toward the ladder, like it affects a lot of parts of, of the world. So I, I think your, your idea's spot on though.

[00:38:53] **Matthew Nelson:** We, we should focus a little less on. some idea of what aggressiveness means by the industry and just focus [00:39:00] on be, be like Matt, be like Matt Finley, the scientists and the data, researcher, right? Mm-Hmm. It's just, it's about what, where's the economy going? What makes sense? What, what are the, economics telling us?

[00:39:10] **Bill Tucker:** it kind of fits into your whole idea that you mentioned about don't follow the rules because the rules. Change. Right?

[00:39:18] **Matt Finley:** They do. That's good. Correct?

[00:39:21] **Bill Tucker:** Yeah.

[00:39:21] **Matt Finley:** The rules and the noise are the two things to not follow. Right?

[00:39:24] **Bill Tucker:** Well, the noise is the hardest.

[00:39:25] **Bill Tucker:** Okay. Everybody, everybody's got fomo, everybody's got noise, everybody's got the next big thing. And everybody somehow mysteriously kinda like Instagram where everybody looks beautiful. Mm-hmm. And just amazing all of the time. And they have crazy, crazy lives that you want to have. Somebody always has that portfolio that you're supposed to have or wanna have.

[00:39:47] **Matthew Nelson:** Boring. Boring and consistent when it comes to investing is far more attractive to me than sort of the. The quick sexy, get rich, you know, tomorrow stage.

[00:40:01] **Bill Tucker:** I gotta tell you, I think it's wise to remember like, social media is an illusion. That's right. Is an illusion. as Matt or the other, Matt, as I call him, as the other, Matt said, nobody tells you about their losses.

[00:40:14] **Bill Tucker:** Everybody's got a perfect life and a perfect portfolio. That's right. And we, all of us know. That's just not how it works. That's right.

[00:40:22] **Matthew Nelson:** Exactly. Very good.

[00:40:24] **Bill Tucker:** That's great guys. Thanks so much. It's, it's been an interesting conversation and I'm sure, you know, people [00:40:30] liked hearing how you approach the markets and how you look at them.

[00:40:32] **Bill Tucker:** if they want to talk to you further about this, how do they get ahold of you? How would they reach out to you? I.

[00:40:37] **Matthew Nelson:** You can call us, uh, at (952) 225-0333. you can also just check out our website. We've got a, a, a very nice, blog that's building content out there. Uh, address to, that's perspective six group.com, the number six.

[00:40:54] **Matthew Nelson:** we'll probably be posting, sort of this investment philosophy kind of credo, if you will. Blog at some point. you know, certainly go, take a look at that. There'll be a link to that in the show notes.

[00:41:05] **Bill Tucker:** That's terrific. Well, guys, thanks for another, uh, interesting conversation.

[00:41:08] **Bill Tucker:** Good visiting with y'all, uh, in this podcast. Thanks so much. Listeners, thank you for taking the time to listen today. We hope you found it valuable, and we also hope that you're already a subscriber. But if

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