Speaker	Time	Text
Anjali:	00:15	Hi everyone. Thanks for tuning in to today's episode of money checkup where we take a deep dive into matters related to money, business and personal finance. I'm your host Anjali Jariwala, CPA and Certified Financial Planner. Today's guest is Kelly Klingaman. Kelly is a regional director with Dimensional Fund Advisors, an investment firm that manages close to 600 billion of assets. Kelly works with advisors from across the US on investment messaging and business strategy issues in order to sustain, improve, and grow their practice. She graduated from the University of Texas at Austin McCombs School of business with a degree in finance and a concentration in investment management. Kelly also has her CFP designation, which she's had since 2014 I'm excited to have Kelly on today to do a deep dive into a lot of investment topics that come up in my client base. Kelly, how are you?
Kelly:	01:09	I'm good Anjali. How are you?
Anjali:	01:11	I'm good. I can't say the same about the markets right now though, unfortunately.
Kelly:	01:16	No, no. Uh,
Anjali:	01:19	We're recording this in December, 2018 so we had kind of a rocky few weeks. So that's where I'm excited to have Kelly on to give us all of her investment insight. One of the first questions I have for you is, you know, I've been getting a lot of calls from clients talking about the market with a lot of focus on us market, the Dow Jones, the Nasdaq asking me things like, oh well the U S markets don't seem to be doing too bad by why is my portfolio not doing that well? So I'd love for you to talk through what exactly does the market mean when it comes to investing?
Kelly:	01:55	Yeah, this is something that comes up a lot and I guess my definition of the market would be considering kind of the entire global market, but most people, most typical investors, think of it as the S&P 500 or the Dow Jones, like you mentioned. And at such a small subset of companies. And in terms of your entire portfolio, you're usually invested across the entire globe, which could be 44 countries and over 12,000 companies. So I think just better understanding what your portfolio is invested in versus what you might think of as the market will help you kind of better understand how the market's doing as a whole and how your portfolio might be doing. So for example, a better a way to view the US stock market might be through something like the Russell 3000 index, which represents about the total number of US companies that actually, that most people are invested

across. And then the MSCI World index is a good representation of the global stock market and it's going to show you what those 44 countries and like I said, over 12,000 companies which make up that index might actually be doing. And again, that's typically what someone might be invested in the, in those global securities. So a lot of different interpretations of what the market is. Most of the time when you hear about it on the news or you know, financial media, they're just talking about a very small subset of companies that are driving some of their returns. And I think it's just a bigger picture than that and better to understand what the total market is.

Anjali: 03:46 Yeah, that's a really great point. I think a lot of what we hear on the news might be overly focused on just a handful of companies and only in the United States. But as you mentioned, you know the world index is 44 countries and over 12,000 companies, which is a pretty big portion of the market that's usually left out of the and then media and the news that you hear on a day to day basis.

Kelly: 04:08 Exactly.

Anjali: 04:09 For some of our listeners, investments might be new, so I thought we could just go through basics. Maybe starting off with what exactly is a stock versus a bond.

Kelly: 04:19 Yeah, I love to start with the basics and this is something I take for granted, just being in the investment community, but actually having to explain what these are. You know, you kind of have to think about it a minute, but thinking about just a stock versus a bond or a stock is going to be when a company needs to raise money to grow and they can choose to offer ownership shares to the public through stock. So when you own a stock, it gives you as the investor a claim on the assets or earnings of a company. And just as like a very simple example, if a company has issued say a thousand shares of stock, and I personally own a hundred of those shares than I have a claim to 10% of the company's assets and a bond is similar, but also it's just kind of a different way of, of offering an ownership to individuals. So instead of obtaining a loan from a bank, a company can also raise money by issuing bonds to investors. So that bond is a contractual statement that has an interest rate associated with it that's going to be paid to the holder and at the time that loan must be returned. So local municipalities will issue bonds, the US government issues bonds. And that just helps them finance spending activities. So both stocks and bonds help to finance things, but it's just a little bit different in terms of what it looks like behind the scenes.

Anjali:	05:53	And then would you say that the risk profile of a stock versus a bond differed as well in how that plays into a portfolio?
Kelly:	06:01	That's a great point to bring up. So the capital structure of a company, if you think about it, bond holders, if the company goes under a bond, holders get paid first. So a lot of times we think of bonds as having less risk associated with them just because you have a little bit more of a guarantee that you're going to get your money back. If you own a bond on a particular company and with a stock, there is no guarantee that you get any of your money back if the company goes under. So it's a little bit more of a risk involved with stocks versus bonds and usually investors, depending on their risk tolerance and preference for taking risks. The biggest thing that's going to drive their portfolio returns is that split between stocks and bonds.
Anjali:	06:46	That's a great point. Obviously when building client portfolios, we always look at that trade off to see, but it's an interesting point to to understand the hierarchy in terms of who gets paid out first. I think that helps provide some clarity as to why bonds in general are viewed as less risky or less volatile than the corresponding stock for that same company.
Kelly:	07:07	Yup, that's right.
Anjali:	07:08	Great, and then the other item that usually comes up is the differentiation between a mutual fund and an ETF. I think a lot of people may not understand the nuances that go into one investment versus the other type of investment. I'd love to hear your thoughts and explanation as to the differentiation between the two.
Kelly:	07:28	Yeah, I think sometimes people get confused on what it all means. Buy a mutual fund or ETF because they think of it as a specific investment, but you can have lots of different stock and bond portfolios that are either a mutual fund or an ETF. The mutual fund versus ETF is more of just a structure that it's held in. And to differentiate the two, a mutual fund is going to be a vehicle, an investment vehicle that's going to pool together contributions from a lot of different investors. So you personally could invest a small portion of your assets across hundreds, maybe even thousands of stocks or bonds. And it's a really affordable way to invest across a lot of companies without having to buy each individual stock or each individual bond. So you kind of have a little slice of each one of them. And an ETF is similar to that. It's another way to invest a small amount of money across a lot of different companies. It's just that the way

that it's treated in the stock market is as an actual marketable security. So it's in and of itself, it kind of trades like an individual stock that tracks a larger basket of assets or different companies. So it really gets kind of into the nitty gritty in terms of the difference at a high level, both are very similar. An ETF is really focused on that specific list of securities that it's tracking and a mutual fund typically has more leeway and flexibility in terms of the individual companies that it owns depending on who the investment manager is. And I think we'll probably get into a little more of that and some of the later discussion

Anjali: 09:18 We will and you know it being a fee only advisor and and just the environment we're in now, there's a lot of focus on fees, right? Keeping costs as low as possible, especially in the investment realm. There is hundreds if not thousands of articles that come up regularly about keeping fees as low as possible because that can really eat into your performance longterm. So I'd love to talk to you about the different fees that may come up in an investment. The one I think that many people may already know about our expense ratios. Interested to get your thoughts on how that works and then also to talk about there's other fees that may be embedded in an investment that an investor may not necessarily know about but could have an impact on either the price or the performance longterm.

Kelly: 10:08 Yeah, so I mean, just going off of our, our previous example of the mutual fund versus an ETF, both of those investment vehicles have what's called an expense ratio associated with them, which is really just the cost that's charged to the investor to own that, to own shares of the mutual fund or to own the ETF and it's publicly available knowledge. It's published, you know, you see these everywhere and a lot of times people think that that's the whole story right there in terms of the fee that's associated with owning that mutual fund or ETF. But what is not published are the implementation costs that might be happening behind the scenes to actually run and implement that particular mutual fund or index fund or ETF. And that's what I think is more important to focus on. Is the fears important, that expense ratio, kind of that ticket charge that you paid to own it, but what is the total cost associated with owning this particular investment? You know, am I buying something that is very tax inefficient and running up a lot of costs behind the scenes that I'm not necessarily hearing about? And I know we'll probably get into this to some other questions, but with index funds and ETFs, while these are very low fee investments, meaning their expense ratios are typically very low, they actually are a very rigid mechanical structure because an index fund or an ETF is forced to buy and sell a very specific

list of companies that it's tracking. So you're tracking a benchmark that someone else picks the securities in that benchmark for you and the index fund manager or the ETF has to buy those exact same companies to reflect them in their fund or their ETF. And when you're being forced to trade certain company names at a specific time, then you really don't have a lot of say in your trading costs and trying to keep costs low. So when you have a little more flexibility in terms of maybe a mutual fund that isn't as focused on the individual company names, but is maybe focused on broader characteristics that allows you to not only have a low expense ratio but also keep your total cost of implementation lower. And again, this is something that's not really published in the industry. It's kept behind closed doors in terms of the trading costs that a fund or an ETF might actually have to pay behind the scenes.

Anjali: 12:46 But that's a really great point because I think there's a lot of emphasis on index funds, which are great investments to have. But based on your explanation, supply and demand, if every single index fund that's tied to that benchmark has to buy the exact same companies and sell the exact same companies on that specific date, you're going to get very unfavorable pricing, which would have a result. But I think a lot of people are just not aware of that. So I think that's a great point as take some of the internal costs there are in terms of these investments that people may not know about.

Kelly: 13:18 Yeah. It's so true. An example that we use around here sometimes is Valentine's day when everybody is trying to buy red roses because you know, that's what you're supposed to do on Valentine's Day. Um, I mean we all know that every other day of the year those flowers are going to be less expensive. But because there is someone decided that red roses where the flower of Valentine's Day, the price skyrockets exponentially in and around February 14th and everybody kinda goes willingly to the florist and pays that higher price because you know, they're, they're supposed to buy those flowers. So it's a similar sort of scenario when it comes to index funds and ETFs where you know, certain companies are being added to a benchmark, you've got an index fund that tracks up benchmark and on that particular day of the year when that happens, bunch of index on managers have to go to the market and buy the same security using, they're probably paying a premium to do that.

Anjali: 14:21 It's why I always have my husband. If he does want to buy me flowers either by before or after. If I, if I see the charge on the credit card on Valentine's Day, I'm usually frustrated because I

was like, you just paid probably 50 or 100% more. For no reason.

Kelly: 14:35 Yes, exactly.

Anjali: 14:37 No, that's a great example. So talking about fees, a lot of times when we discuss fees, the topic of active versus passive management comes up. What exactly is the difference between active versus in terms of what the strategy is and the cost that may be associated with one versus the other?

Kelly: 14:59 I would say right off the bat that there are higher costs associated with active management, higher costs in terms of expense ratios and higher implementation costs and it's because active management is this conventional Wall Street approach to investing where these managers who run these types of funds, they think that the market doesn't work very well in setting prices of companies and so they have their own research team, they have their own analysts, they're relying on their own wisdom and forecasting to figure out which stocks or bonds are undervalued or overvalued and so they're going to go out and buy up as much of those companies as possible ahead of time before it hits that true value and hopefully, you know, get a really good return. The issue with active managers is they actually have a pretty poor track record overall. Just in aggregate, when you look at active managers, they tend to underperform average benchmark returns are at the average market portfolio return. And if you actually look over the past 15 years, I think 15 years ago we do a study here internally where we look at active managers and how well they perform. And I think the latest study we, we showed about 2,800 different actively managed mutual funds that existed about 15 years ago. And as of today, you know, 15 years later, how had those funds performed? Well it turns out only 50% of them even survived that 15 year time period. So a lot of them just kind of failed and the fund would just close. And you know, that was that. And then of the 50% that actually survived the 15 year time period, only 14% of those active managers actually beat their benchmark returns. So the really small amount of active managers that seem to be doing well and it's really tough to figure out who they are ahead of time. So

Anjali: 17:08 wow, those are pretty terrible odds, especially for people who are looking to invest their money long term. And as you mentioned though, the active managers tend to be more expensive in terms of their expense ratios as well. So it's probably a no win situation for most people who take that approach.

Kelly:	17:26	Exactly. High fees all around high costs of implementation. And so passive management or passive investing is the category that index funds and most ETFs would fall into or this group, they really believe that markets work and that the market is a high powered information processing machine. It's doing a good job of setting prices fairly and they're kind of just seeking to match that market return. They're really not trying to do much else beyond that. There are some, you know, specialized funds that do certain things, but for the most part, passive management is just trying to buy and hold the entire market. They're going to charge a really low expense ratio a lot of times to do this or to provide you that exposure. The issue though with um, an index fund or an ETF, again, goes back to implementation costs. When you're being forced to purchase a very specific list of securities on specific days of the year, that lack of flexibility can lead to higher transaction costs behind the scenes. So for example, if you own an S&P 500 index fund, there is an investment committee that decides which company qualify for that index. And the index fund managers, they want to replicate that index as closely as possible. So they're going to really focus on owning those exact companies that exact date and time whenever those changes are made to the underlying index and their implementation costs on those days are probably going to be higher than other investment managers out there. So all together a lower cost sort of approach with index management and some of these other passively managed approaches. But there are still some caveats to that, some things to think about and consider.
Anjali:	19:18	So I'd love for you to talk about Dimensional Fund Advisors because DFA has a slightly different approach. They're not quite active management, but they're not taking just that straight index approach. So what makes DFA different? What's their philosophy when it comes to active versus passive?
Kelly:	19:38	Yeah, I would put Dimensional under the umbrella of passive management, but we are not an index fund manager so we don't have to track any sort of underlying benchmarks and listen to someone else tell us exactly what to buy. I kind of referred to it as evidence based investing because it's a reliance on the information that's out there and market prices. And then we're also relying on academic research to identify groups of securities that offer higher expected returns. So instead of just buying the entire market and its market cap weight, we essentially still buy everything. But we're going to emphasize companies that have historically had higher expected returns are groups of securities. So it's a very broadly diversified sort of approach. And the focus on flexible implementation I think is

really key. And I like to use very basic example when I describe how we have a flexible in the implementation process. So I will walk you through that on hopefully is helpful. But I talk about it in terms of going shopping at the grocery store. And when I go to the grocery store, I'm usually the one that does the shopping. My husband does all the cooking, but he likes that I get him all the ingredients. So I do it so often that I typically don't bring a list with me. I know my way around the store, I know the general categories that I need to be shopping for, so vegetables, fruits, starches, proteins, those sorts of things. And so when I get there, I'm flexible within those categories to buy what's on sale or what's on season, which is typically on sale. I'm focusing on what's on sale so that I can cut a little bit of the cost at the end of the day. And at the end of my shopping trip I typically have saved some money because of that sort of flexible shopping process. And then I compare that to, and this is a completely real world example here, if I send my husband to the grocery store, he doesn't do the shopping as often, so he's not as good about knowing his way around the store. He really needs to have a list so that he makes sure he gets exactly what we need for the week and he goes into the grocery store essentially with his blinders on, just focused on that list that I've written for him and he's not paying attention to which items in certain categories might be on sale. He's really just focused on whatever I happened to write down on the list and so while he does get us exactly what we need, he probably ends up spending a little bit more money than I would just because he's so focused on his list. So I like to think of my husband as you know, maybe that active manager, index manager that is very focused on specific company names that they need to buy in their investment portfolio. You know, an active manager, they've identified certain companies that they think are undervalued, so they have to buy that specific company. And then an index one manager, it's similar because they have to buy a very specific list of companies that they're mimicking with that benchmark. But Dimensional's investment approach is kind of just saying there are a lot of groups of securities that have higher expected returns. It's typically smaller market cap companies, value companies, more profitable companies. Within those broad categories though as long as a company has those similar characteristics that I'm looking for, I'm really open to buying whatever comes my way. I don't have to focus on a specific company name. I can view companies that have similar characteristics as close substitutes for one another. So that was similar to my shopping example where you know, within those categories of proteins or vegetables, I'm really just looking for what's on sale. They all can meet the same goal in terms of how

I could put them together in a meal. I, so that's my core to you, right?

Anjali: 23:49

That's a great example. I think a lot of people can really relate and resonate with that one. I know I can, I think my husband has to take pictures of all the brands in our house and then you find that exact same way and I'll say, no, you can just buy any organic milk. It doesn't have to be this specific brand, but then I know I'll get three calls and five text messages. Having them send me pictures every single one size. I know just stick to the list. This is much more efficient that way. So No, I love that example. Yeah. So with Dimensional, you mentioned evidence based investing. So what research has DFA found? I know DFA is very focused on research in terms of identifying the strategies that they take, what has their research shown, especially when it comes to things like stock picking and market tags.

Kelly: 24:36

Yeah, our research into stock picketing market timing of the actively managed approach has shown is that it really hasn't paid off and it's really tough to do with any sort of consistency and you're better off assuming that the market is already doing a really good job of setting prices fairly. So you actually kinda think of the market as this high powered machine and it's got all of these buyers and sellers coming together every single day and bidding on stocks and bonds and helping set prices fairly. And so there's all of these trades going on every single day of the year. And the power of the market as a whole is much, much more useful than any one individual person and some information that they might know, you know, can a single person no more than the entire market altogether Dimensional, we don't believe that's the case. And again, the track record of actively managed investments kind of proves that it's really difficult to outguess the entire market. A lot of times we, we like to see this played out in an example. So we've done some client events here at Dimensional where we have this giant jar of jelly beans kind of set out on a table and we ask attendees of the conference to write down a guess as to how many jelly beans are in the jar. And so we tell you this all up, we put it into the computer, we've got someone there taking all the information in and you'll have a really wide range of guesses. It's so funny to kind of see how people make a guess as to how many jelly beans are in the jar. But at the end of the night, what we see consistently when we averaged together, everyone's guests, despite the range that we have, the average is always fairly close to the actual total amount of jelly beans in the jar. So again, it goes back to that idea that together we know more than we do alone, and that concept is what's really underpinning all of dimensional strategies.

Anjali: [26:42] I think a great point. I also think that people who understand that and embrace that investment philosophy, that takes the stress away from investing to a certain extent, right? Because you're no longer trying to chase returns, trying to identify things. You know, you take the approach that you're going to be in the market, you stay in the market unless you're distributing money out and knowing that collectively the market does a good job processing information. You really don't have to stress out about fluctuations that happen, especially if you're investing for a very long period of time.

Kelly: [27:16] Yeah, that's so true. And I think that's something we also try to remind people is you don't have to have a lot of anxiety when it comes to investing or trying to take unnecessary risks. If you just harness the power of financial markets and invest very broadly across lots of companies, lots of countries, you know you can avoid trying to anticipate where things are going and have a much better longterm experience with that sort of approach.

Anjali: [27:44] That's great. And along with that is the concept of diversification. We've talked about being in the world market is 44 countries, 12,000 different companies. So what exactly is diversification? Why is that important when it comes to investing?

Kelly: [28:01] Yeah, it's really just a technique to reduce risk. So like you mentioned investing across not just US companies, but also non US companies at developed markets, emerging markets in total. When you look across the entire Globe and what's available to invest in, it's thousands and thousands of companies and so spreading your investment across all of those different companies. Going back to this idea that markets work, it's really tough to figure out who's going to be the winner ahead of time. Diversification just helps you spread out your investment so that you don't have to rely on guessing where things are going to go into the future. You're essentially invested everywhere and you have a higher likelihood of doing well over the longterm because you have your assets spread out so widely. And this is something that Dimensional does, you know, within each of our strategies where we've identified groups of securities that tend to outperform others over time, but within those groups we still don't know which are the exact stocks or bonds that are gonna do well. So we try and buy as many of them as possible and that's going to increase our likelihood of outperformance over the long term. And I think that's, that's really what is at the heart of diversification.

Anjali: 29:22 That makes a lot of sense. So when we talk about building client portfolios, something that I emphasize a lot, and I know a lot of the Dimensional advisors do as well, is the concept of an asset allocation. And I'll have to admit I'm not the best at explaining this to clients when I sit and tell them what their asset allocation is. Since you are the expert in this subject, if you could explain what exactly is an asset allocation? How does it work?

Kelly: 29:49 Yeah, I think this is where, you know we've, we try to help guide advisors with this decision, but ultimately you as the financial advisor know what's best for your client. You know your client firsthand and so you're able to really end up at the best asset allocation for them. And it's based on their ability to tolerate risk over the long term or the short term. It's based on which goals they're trying to meet. So someone's asset allocation, it's going to be different from person to person. There's no one perfect one size fits all asset allocation. It's really just the way that you choose to split up your investments across asset classes. And oftentimes the biggest decision for your asset allocation is how much are you going to have in the stock market and how much are you going to have in the bond markets. And that goes back to what we talked about earlier, remember bonds were a little less risky and you know, stocks had more risk associated with them. So stocks are really about higher expected returns and bonds are more about dampening volatility and preserving capital. So if financial advisor trying to figure out the best mix of those two together based on your personal goals, what you're trying to do in the future, that's really key to the role of a financial advisor. And I think of, we've used this example before where you've got a client that's say in their 20s or 30s and they are investing for retirement that, let's say they're trying to retire around age 60 their asset allocation is going to look really different from another client who is well into their retirement years and they're really sensitive to taxes. So you know that 20 or 30 year olds investing for retirement might be 100% in the stock market because they have so much time to invest ahead of them. They can deal with the ups and downs of the stock market in the short term. But that second client who's in retirement, they're trying to be really sensitive of taxes. Their asset allocation might be heavily in fixed income or the bond market and also invested in municipal bonds because those have special tax benefits to them. So I like to think of that in terms of asset allocation. It's really going to look so different depending on where you're at in your stage of life and which goals you're trying to meet.

Anjali: [32:17] I agree. That's a really great point though, because it does really come down to the goal and the time horizon for needing that money because even if I have a client who is in retirement but they can tolerate the risk, it's not going to make sense for them to have an overly risky portfolio because they actually need to draw on that portfolio. So we need to preserve more the capital than we would for someone in their twenties or thirties who have the time to, whether market cycles that that will occur during the lifetime of their investment.

Kelly: [32:48] Yes, exactly. And again, that's why the importance of a financial advisor is key to all of this because there's so many little things that could create differences for one person's asset allocation versus another.

Anjali: [33:02] That's true. Not that I'm a little biased because I am an advisor, but I do think that it helps to have someone a little bit independent in the picture to help guide those types of conversations. So when we talk about asset allocation, the other fundamental piece of having an asset allocation is this concept of rebalancing. So what exactly is rebalancing and why is it so important to do in your portfolio?

Kelly: [33:29] Yeah, so rebalancing, I think the very basic concept is where you are buying low and selling high to get back to your target asset allocation. So in that prior discussion around an asset allocation between stocks and bonds, let's say you had 60% of your assets in the stock market and 40% in the bond market and the stock market is doing really well and you're, that portion of your allocation goes up in value. Well, the concept of rebalancing is to say, you know, a couple times a year you should kind of pay attention to which parts of your portfolio have gone up in value or gone down in value and just try and get back to that target asset allocation that you originally decided was most appropriate for you. So if it was 60% in the stock market, 40% of the bond market, it's where you would sell some of your stocks. So selling high cause they've done well and you're going to buy more into the bond market to get back to that 60 40 split that was again originally decided was going to be more appropriate for you maybe with the help of your advisor. And it's really just to make sure that you're not taking on more risk than you originally set out to do based on that asset allocation that was determined for you. And so again, it's just simply buying things low and selling high, which is what we all want to do. You don't want to be caught doing the opposite.

Anjali: [35:01] And conceptually it makes a lot of sense. But in practice, I feel like a lot of people have a hard time with it because there is that

emotional aspect to investing and when things are doing well, people want to hold onto it. I remember at the beginning of the year, everyone was really into bitcoin because it was trading at all time highs and every client who emailed me about Bitcoin, I said, well, you're buying at the all time high, the only direction it's going is down, so technically you shouldn't be buying now. You should be selling out of it right now. And all of those clients who reached out to me did not buy bitcoin, and the ones who didn't reach out to me ended up buying and then that thing drop a significant amount. So I think the buy low sell high is so important and fundamental to investing, but I think a lot of people just don't do that. Whether it's fear or rounded or just the concept of not having the time to really sit down and do it if you need to, which is why I think if you're going to set the asset allocation and rebalancing is just as important as having the right allocation.

Kelly: [36:03] Yeah. It's just kind of like maintenance on your portfolio. It's, you know, at least once a year kind of get things back to that target asset allocation. Just to make sure you're not taking on extra risk that you didn't originally anticipate to take on.

Anjali: [36:19] Right. That's a great point. Maintenance, we maintain our car, we maintain our home, we maintain a lot of things. I think people need to also be open and maintaining their portfolio that hopefully is going to provide a retirement that's comfortable or any other goal that someone may be investing for. So the flip side of this, and I've had this come up in my client base a lot, is people who have a lot of fear around investing. I'll have to admit I'm, I'm the type of advisor where I like to look at everything a client has and once we fund the buckets and we have everything situated and the emergency fund is there, I really don't like clients to sit on a lot of cash and that's just me as an advisor. I think a lot of advisors are like that. So what, what do you tell people who are just really afraid of investing their money? I'm actually going through that right now with a handful of clients. What are your thoughts for them? Why do we need to invest our money? Why do we not want to just have it sitting in cash?

Kelly: [37:16] Yeah. I think not investing is just as risky because of inflation. I mean inflation is this real thing out there. It's a silent killer and it erodes away the power of your money. So if you've already been able to fund your emergency fund and some of those things that do require cash, it probably is a good idea to put the rest of your money to work in the capital markets to avoid losing the power of your money over time. I mean if we look back, this is something we talk about every once in awhile, it in

terms of inflation, if you think about how much it costs to buy a quart of milk in 1913 it only costs 9 cents. And then so over a hundred years later, that same 9 cents can only buy you about six tablespoons of milk and probably less if you're buying organic milk or something fancier GMO grass fed cows or cashew milk or you know, which is what, you know, we buy, we buy that at our house too. So I'm totally on board with the fancier milk. But it's just this concept of remembering that inflation is a real and powerful thing. And so putting your money to work in the stock market is a better use of that capital. It's just as risky to kind of leave it sitting there because you'll end up in retirement and your money, we just won't be worth nearly as much as it could have been if you had invested it. And again, I think there's having that education around some of these things is, is helpful cause you forget in the moment you're not thinking about harnessing the overall power of the market. And it's helpful when an objective third party person can kind of remind you of that.

Anjali: 39:05 It's funny, my husband and I were talking over the weekend and he was like, did you know emerging markets are doing really poorly? And I was like, yes, I do know that. And he's like, so do you think that we should get out of emerging markets? And I was like, no, we should do the exact opposite. We're going to buy more into emerging markets because that's under its allocation. And he's like, okay, that's fine for my listeners, my, my husband is a physician. So I tell him, you have your area of expertise you focus on and let me do what I do best. So it's just, it's funny that there is a lot of that that comes up, whether it's fear around money, people wanting to essentially do the opposite of what they need to do in terms of buying low selling high, not wanting to stay diversified. So I think these are all really, really great points and things that help reduce that stress around investing, which I think is as a big concern for many people.

Kelly: 39:53 Yeah, that's so true.

Anjali: 39:55 Great. So before we wrap up, I always have a few personal questions I like to ask my guests. So, uh, the first one is what's one financial goal that you're currently working towards?

Kelly: 40:06 Oh, awesome. So one financial goal that I guess me and my husband are currently working towards. I guess one would be we're about to have another baby. So that's just kind of a looming financial burden over us cause babies cost a lot of money. But a more, I guess a more fun goal that we're working towards is my mom is celebrating her 60th birthday in 2020. So

		we're getting ahead of that and trying to plan a big family vacation to Europe in the summer of 2020 and we're thinking of going either to France, Spain, or Italy and I love planning ahead of time for big travel events like this. We actually have a savings account that's specifically for travels. We have a certain amount of money that gets stiffened off of our paycheck every month that goes directly into our travel account and we're really trying to focus on that and plan for this big trip because it's memorable time. She's celebrating a big milestone and we want to be able to not have to worry about, you know, a big credit card bill that we're walking away with. After that trip. We'd rather be able to use the credit card, get the points, and then immediately pay that off once the trip is over with the money that we've saved for that.
Anjali:	41:26	I think a lot of people put it on the credit card and figure out how to pay for it later. But it's so important to fund that bucket. The way you would fund your retirement or your emergency fund or anything else, especially if travel is important for you and your family. That's so great. So are you going to bring you baby when he comes in?
Kelly:	41:45	Oh, so the plan is no kid. Oh, that'll be so fun. So we're pretty excited about it. Love kid trips, but I think this one is going to be just my parents. I have a younger sister, she's gonna come and then me and my husband. So I should be, should be pretty fun.
Anjali:	42:04	Very nice. It's nice to have like kid free trips as well just to read you what we're thinking for this one. That's great. That'll be so fun. And then what's one piece of financial advice, good or bad that you have for our listeners?
Kelly:	42:20	So for this I, I I think too, I guess I'm a minimalist in a lot of things and I just recently heard this from someone, I forget exactly who around gift giving and I thought it was good advice. So I'm going to pass it along just because we are in December and the holidays are coming up and everyone's going crazy about giving gifts and spending lots of money on probably things that we don't need. Right. Someone told me that a good framework to follow for giving gifts is you give maybe for your kids or for your husband or someone you're close to, you give them four things and it's something they want, something they need something to wear, something to read. And I was like, oh, that's so cool and catchy. And it kind of limits it to these four things that are important to, to that person you're giving them too, but you're not overloading them with a bunch of stuff that they might not ever actually use. So having a toddler right now

		and thinking in terms of that structure has been helpful. So that's my piece of advice is around giving.
Anjali:	43:33	That's great. You know, I just read an article a few weeks ago that listed those four same things. Oh, I remember. I was like, this is so wonderful. And I will say that we also have a two and a half year old, and our Christmas tree is currently empty presence on there under there right now. We're trying to keep it to a minimal, so that, that's really great advice, really. I thank you so much. I appreciate your time. I think this was very helpful in a lot of great information for our listeners.
Kelly:	44:02	Yeah, thanks for having me on, Anjali. This was really fun and like I said, I hope this was helpful for your listeners and if you ever want to have me back, let me know.
Anjali:	44:11	I will. Thank you.
Kelly:	44:12	All right. See Ya.
Anjali:	44:15	Thanks for tuning in today. If you're interested in making better financial decisions and are considering working with a professional, please visit us at www.FITadvisors.com to schedule a free initial consultation.