EPISODE 39:

Steering Away from the Financial Extremes with Rob Carrick

[INTRODUCTION]

[0:00:05.3] Benjamin Felix: This is the Rational Reminder Podcast, a weekly reality check on sensible investing and financial decision making for Canadians. We are hosted by me, Benjamin Felix and Cameron Passmore. Today we had Rob Carrick as a guest which is pretty cool.

[0:00:20.0] Cameron Passmore: Yeah, he's a personal finance writer in the Globe and Mail and has been —

[0:00:23.2] BF: Come on, everyone knows who Rob is.

[0:00:25.2] CP: For years and he told this story and I had not remembered this at all. We talked about the roaring nights from mutual funds or people who used to rush out on Saturday's to the mailbox, put your whatever in the box and get your pepper and you had to go early before they're all sold out.

I remember getting up early Saturday mornings like '92, '93 to get by Globe and Mail, to get that report on mutual funds. I had forgotten all about that.

[0:00:49.0] BF: Because you're so focused on what's best for the clients, seriously.

[0:00:51.7] CP: Yeah, it's crazy to think back to that go, go time mutual funds and how the world has changed.

[0:00:57.9] BF: Yeah, it's so interesting. My personal connection with, well, it's somewhat personal with Rob is that he wrote an article, I don't even know what it was, a while ago. 2011 maybe, about Dimensional Fund Advisors. Just talking about the product and whatever and I found that article when I was selling actively selling mutual funds and I started googling around for index funds when you search for index funds, that's one of the first things that comes up.

I read the article and that is what led me to cold called Dimensional which is what led me to PWL eventually. Because Dimensional answered my call and said yeah, no, where you are now, we'll never distribute our funds.

I was like, "Okay, that's too bad." Then, six months later, they called and said, "There's a firm in Ottawa that we work with that's looking for an advisor, would you be interested in a connection?" They introduced me to Cameron.

[0:01:54.2] CP: Yeah, cool story. It was Rob, very good interview, he's a wise person who is – got interesting perspective and now he studied the industry but he's also had probably thousands of questions from readers.

[0:02:08.0] BF: He's deep in the trenches.

[0:02:09.3] CP: He's got the perspective of both sides and that wisdom just grinding it out for years is fascinating.

[0:02:16.0] BF: We said in the episode that we could have kept talking for hours and Rob afterwards said that he'd be happy to come back to do a follow up episode which I think will probably do because it was a great conversation.

[0:02:27.7] CP: Enjoy.

[0:02:28.2] BF: All right, here you go.

[INTERVIEW]

[0:02:35.2] BF: Rob, welcome to the Rational Reminder Podcast.

[0:02:37.6] RC: Thanks Ben.

[0:02:38.4] BF: We're really excited to have you here.

[0:02:40.1] CP: Very much so.

[0:02:40.7] BF: The first thing I want to ask you Rob is what is the most common question that you get from readers? I mean, you must get a ton of questions.

[0:02:47.8] Rob Carrick: Well, there's a lot of different themes right now. For instance, ETFs very big, a lot of people want to know about ETFs. Really struggling to get a handle on it but they know that that's something that sounds good to them. I'm getting a lot of questions now about financial advice, people want advice and they're interested in getting it in different formats.

"Can I recommend an advisor? Can I recommend like a planner?" That sort of thing. I get asked to basically people think I have this secret pool of preferred people and I will just connect them with them and I'm very leery of doing that but occasionally in certain circumstances, I will say, "I know some good people," and I don't recommend them but I say, "You might want to include them in your investigation."

There's the ETFs, there is financial advice and then there's just the random financial question that I have and if people, they seem to have not heard of Google in some cases because a lot of these questions I myself answer with Google and a lot of times, they're fairly complex. Questions that probably should be taken to an expert, an advisor, an accountant, a lawyer in some cases.

What I take is there's a huge hunger for information, tons of questions and as much information as there is on the internet, it's not connecting with people, it's too much, it's not written in a comprehensible way, it's contradicted by the next thing they read and they're not satisfied and so they're looking for experts, you know? People they trust.

They trust me, I often suggest, go find an advisor you can trust and you can take all your questions to them on our continuing basis but you know, there's a bit of a disconnect there, there are people out there who need advisors who don't have them.

[0:04:27.2] BF: So interesting. I've been following and reading articles for years and I like your perspective very much over the years. I'm curious to know, has your – what has been our biggest shift in thinking around money since you started writing about this?

[0:04:41.5] RC: Well, when I started my column, back about 20 years ago, there was a lot of people speaking out about bad stuff that advisors were doing, you know, particularly in the mutual fund world and they weren't advisors, they were salespeople, I sort of got influenced by that and started to take a strong DIY kind of approach.

[0:05:02.1] CP: This is back in the old days I'm presuming?

[0:05:03.6] RC: Yeah, this is back in the mutual fund hay day, back when the Globe know have a special monthly section on mutual funds and it would sell out. People would say, "I couldn't get a copy in the box because there was a run on it."

Mutual funds were like cannabis stocks are today, okay? They were stars. Anyway, the advisory world was still in its sell mode back then and I was really influenced by a lot of the complaints I was hearing and I became not anti-advisor but very skeptical about it and I thought, there are good advisors out there but I really need to protect people from the bad ones.

My evolution now is that I continue to think that the profession is being – its reputation could be enhanced if certain members of it were to be kicked out but by and large. I think more people need advisors and my job is I think is to help people understand that there's more to investing than cost and that when you have an advisor, it's not just overhead, it's value in an ideal situation and – that's one of my biggest shifts, I went from being a big advice skeptic to an advise booster when I think it's a good fit for people.

I think more people don't realize how good a fit it could be.

[0:06:15.7] BF: It's interesting, you know, that's the [inaudible] went through a very similar transition where he was very pro DIY anti advise and then as he started hearing from people interacting with his readers, transitioned to being more –

[0:06:28.2] RC: Part of it is that I see the advice business itself evolving, there's a lot more attention on planning, on holistic advice, there's more good people and good firms out there than they're used to be and I have less trouble identifying them than I used to.

There's still a lot of emphasis on, there's still a lot of emphasis on selling and a lot of really incompetent bad advice and I see it because people tell me what they were told or used to do a video series called Portfolio Checkup where people would sort of send us their statements and I and advisor would sort of riff line and say, well this stands out and some of the stuff I saw was like, I cannot believe this, are there supervisors in this office?

It wasn't five alarming legal or unethical, it was sloppy, it was uninformed, it was counterproductive and I think anybody half familiar with good practices would have said no that we need to have gut this portfolio and get back to basics, you know?

I know there is still a lot of silly stuff going on but I think the industry and the best people are slowly realizing that there's a huge business opportunity out there of people who need ethical conscientious planning and investment advice all wrapped together and it's out there and I'm trying to help people find it.

[0:07:43.8] BF: Yeah, that's really interesting. What's your favorite topic to write about, what do you get excited to write about?

[0:07:49.9] RC: Well, up until a little while ago, it was housing and the reason was that, I just found that people were so religious about housing, they believe that housing was the right place for their money and they believed that no amount of financial pain wasn't justified by the end goal of owning a house and that, you know, all obstacles were not – could be surmounted in the greater goal of owning a house. I enjoyed being the skeptic on that.

Because people just kept saying "Come on." I found that, I was just reading an online article today that apparently mortgage growth is at the lowest like in decades and I think it's less fun being the housing skeptic because people are starting to come back to earth on housing. People aren't quite as crazy about it anymore and so I –

[0:08:43.1] BF: Really?

[0:08:44.1] RC: Yeah, I do think so, yes.

[0:08:45.5] CP: Are people getting more respect now for renting?

[0:08:49.3] RC: No. You know what? Renting never had its moment because here's a part of the problem. In the cities with strong housing markets, the rental market is insane. You can't just say, well, "I can see how expensive a house is, you should go rent." When I rent, I'm paying an astronomical amount, it's still a very high percentage of my income.

Often, I'm renting a place that's put out there by an investor who says after six months, you know what? "I'm selling this place, see you." You got to precarious rental situation, you got high percentage that increases in rent and the rents are high to begin with.

As a personal finance guy, I'm about the solutions and I had trouble telling people what the solution is in like a Vancouver or a Toronto or the surrounding cities and I'll tell you, Ottawa has the hottest housing market in the country right now and it's still nothing compared to what Toronto was in its hay day.

You know, a little bit longer than this and you're going to start to see rents starting to rise and then you're going to be able to – then young people are going to have the same problem, they're going to say yeah, I can rent but it's very expensive and I can't save the money to eventually build my home down payment.

Now, I always tell people regardless, if it's a high rent, it's still less than owning a house but you know, most people just do rent compared to the mortgage payment.

[0:10:04.4] BF: Right, instead of the total unrecoverable cost of home ownership which we've talked about in this podcast in the past. Rob, do you think that in general, do you think that Canadians have a healthy relationship with money?

[0:10:14.9] RC: No, I think the relationship with money is as unhealthy as it's ever been. I'll back this up by saying how much financial stress seems to be a big theme right now. I'm actually working on a project about this, I'm trying to document why economists say the economy is doing reasonably well, not spectacularly, maybe it's slowing but it's doing okay.

Unemployment — I've been covering economics for about 25 years. Unemployment's had a staggeringly low rate on historical basis. Wage increases aren't great but more or less in the range with inflation. Most people have made a lot in housing, stock markets over the past five years have done pretty well even if last year wasn't that bad. And yet polls continually show people our stressed about money, people who are in the corporate world say, money stress is impacting productivity at work.

You're starting to see companies introduce like a financial counseling and credit counseling and financial planning, services for employees to get their heads out of their money and into their job and I'm working on trying to figure out what's going on here but that tells me, people, they're spending too much, they're not saving enough and they know it but they don't know how to get out of it.

[0:11:21.0] CP: You're saying the worry is justified?

[0:11:23.7] RC: Totally justified. I think it is. When you look at that levels, I think that people, not everybody's in debt but those who are, are worried about it, they see interest rates rising. They don't see the job market giving them the great new position or the bonus or the promotion to help salary get them under their problems. They're worried about their kids, affording a house, they're worried about their own retirement and maybe not having saved enough money and maybe they don't have a pension or they only had a pension for part of their career.

I think the stress isn't made up, it's real. I'm just trying to figure out how we got into this predicament given that we never had the worst of that last recession and the global financial crisis, Canada came out as well as any country in the world.

You know, the US had this catastrophic housing crash, they rebounded quite well and here we are, we never had the big crash, it's almost like we're getting ours in bits and pieces and we're still in the process of you know, adjusting to a new financial reality.

[0:12:19.0] CP: How would you compare those money worries to other worries, say their health or their relationship. I mean, everyone's talking about wellbeing these days.

[0:12:27.1] RC: Right, well, I was talking to some workplace experts recently and they said that money worry's worth a second biggest thing on people's minds. Next to I believe it was – actually, it was more like the number one was sort of like this existential feeling of not being happy, feeling disconnected from community and that sort of thing.

But money was number two, ahead of health, ahead of family considerations et cetera and I thought, given that we're not in bad straits right now. You know, there's not a lot you can say it's terrible out there and yet, people are feeling like it is.

[0:13:03.0] BF: Do you think there's anything that people are worrying about too much that is not warranted financially?

[0:13:08.1] RC: No, not really. Because a lot of the issues of debt, I can't just deny that as a big problem. There's an interconnectedness in families and financial problems right now. The whole sandwich generation issue. You know what? You've got yourself but you got two other fronts to worry about. A lot of boomers have adult kids who need some sort of financial assistance or at least their parents perceive that they do and then they've got aging parents and this is –

I think an emerging theme. I'm just starting to hear, I've often got my ear to the ground, listening to what trends are and I hear a story and then I hear another story and I think, that's interesting. Two stories don't make a trend. You hear a few more and all of a sudden you start to get more interested and one of those trend set is just starting to gel a little bit is the boomer who has to help their adult parent, their aging parents with expenses.

It could take a number of different forms just as it does with helping, you know, your millennial kids. A lot of them are parents are running out of money and their kids are having to — was talking to a guy on the bus the other day, recognized me and he said, I got to talking about things and he was probably in his 30s.

He said him and his wife were looking at what were they going to do to help support his wife's parents. Who lived in Niagara Falls and they had basically run a business and hadn't been able to save a lot and I'm thinking, this is something that I really have to start looking into, there's not a lot of stats on it but I'm quite interested and so it's just another pressure point.

[0:14:32.4] CP: Let's go back to investing again. I mean, I was reading you as you said earlier when the mutual fund explosion was happening in the 90s and now we have a similar explosion ETFs. More awareness round passive investing and whatnot.

Can you talk about how your investment philosophy, if it has shifted has changed over the years?

[0:14:50.9] RC: I was writing about ETFs when they were still index participation units. You know, hips and tips and something resonated about them to me and you know, basically, that was just, there was probably like 12 people in Canada who owned them. They were super cheap and then I remember when, I think it was Barkley's and Dow Jones were dueling out to who would have sort of like Canadian market ETF and the TSX sort of handed it of to these companies and I used to write a column every time a new ETF was introduced because the first bond ETF — now you can invest in the SMP 500 and it was monumental because it was like –

[0:15:23.8] CP: You stopped doing that?

[0:15:25.0] RC: I did because otherwise I'd never write anything else. Because there's an ETF popped out about every five minutes now. I'm a big believe in indexing. Part of my own money is index, part of it is managed, I think it is an awesome way for the masses to invest and really impressed with how people are picking up on it before.

Individual investors used to fight the concept. "I can do better. My mutual fund can do better." Now they're saying more and more, I'm happy to make what the index makes minus these minuscule fees and if I have advised I'll pay another 50, a hundred, 125 basis points for that but that is a whole separate thing, that's for advice. My investments are locked down for a very low cost.

So I think public openness to it is at the highest level ever and that's why you see ETF assets growing and why you see the ETF companies really shifting their attention to the advisory community because there's a lot of people in the advisory community who has still to be convinced that ETFs are a good thing.

I believe indexing is – it's early innings yet. I think it has a long way to go in Canada, there's a lot of talk about you know, the momentum it has but when you look at assets compared to mutual funds, I think it's just up to 10% now.

[0:16:32.3] BF: It's tiny, yeah. On the topic of ETFs, here's a stat, there were 140 new ETFs launched in Canada last year in 2018. Do you think that all that choice in these relatively low cost investment options, is that choice helping or hurting Canadian investors?

[0:16:47.7] RC: Hurting. Big time hurting. People are just swamped; they cannot make sense of it at all. You know, I see what the ETF industry is doing, it's just what the mutual fund industry did. You know, 20, 30 years ago. There wasn't a trend they wouldn't spin a fund out on, they could do it really quickly. It's hard to track these funds because they're all gone.

They've all be round up or folded into other funds, you know, I remember the big science and technology fund craze in, you know, 1999 and 2000. How many of those are still left? The biotech funds, you know.

[0:17:20.7] BF: The boomer funds.

[0:17:21.3] RC: The boomer funds, the Harry Demographer funds. There was every theme under the sun and I think the ETF industry is just as bad in trend riding as the fund industry was and it might even be a little bit worse because ETFs are so easy to trade, you know? You think, well mutual funds are sort of cumbersome, you had to buy and sell the end of the day values, you couldn't really –

They weren't really setup for this but ETFs really encouraged that sort of thing. I remember last January when all the online brokerages were being like ground to a halt by trading blogs, it's all just speculation on cannabis.

ETF company said, "We got to get a piece of that action," and they did. I don't think the trend ETFs are help, I'm a skeptic on the fundamental indexing ETFs because they cost more and I'm not convinced they outperform the regular cap weighted indexes. The actively managed, there's a few of them that seem to be making a case for themselves but to me, there's only one really good new trend that I'm really like and that is the balanced ETFs, really like goes.

[0:18:27.8] BF: Yeah, those are really cool products.

[0:18:29.6] CP: The poor term, mutual fund, it's absolutely been decimated in the market place. I don't think it's well founded necessarily and I think you wrote an article about that?

[0:18:37.4] RC: Well, you know I sometimes find people like they – it is like someone has been recently converted to a cause. He's very strong on it and they start to wake up to the fact that mutual funds are expensive and I have been ripped off and they get really angry about it and, "All mutual funds are bad," and you know shares are expensive and I am saying, "Well actually I own some mutual funds and they're actually not that expensive" and –

[0:19:00.5] CP: The structure a beautiful structure.

[0:19:02.5] RC: It is a beautiful structure. It is very well designed for people who want to add money as time goes by. Not all the managers are dummies, not all of the fees are insurmountable in terms of delivering goods, if you hunt around. So don't go around saying all mutual funds are bad because you are doing yourself a disservice and probably once a week or once every two weeks I get an email from a reader saying, "I own mutual funds and I understand they are very expensive and I want to sell them and I want to get in TDS."

I always say, “What mutual funds do you own? Did you check how they’re doing? Do you even know like you say they are expensive, are they? And are they over the long term earning you a decent rate of return connected to the risk under — you have gone through?” And most times, they don’t know. “Oh I’ll have to go check that, thank you.” You know I have basically given them – like they have decided to make this jump off the precipice into something they don’t understand.

Like ETF’s or whatever and I basically say, “You might be okay where you are.” Now I am expecting that probably two thirds to three quarters will say, “Oh no, I’m actually not. This isn’t any good” and they will move but I want people to understand. I mean I don’t like black and white. I don’t like people saying all mutual funds are bad, all ETF’s are good, far from it.

You know what? I mean it is a complex world out there and if you tell people that everything is so simple and black and white, they will start making a spur of the moment bad decisions. I will just get any ETF’s because mutual funds are bad.

[0:20:28.3] BF: My favorite example is the TDE series mutual funds which are mutual funds but they’re low cost index mutual funds.

[0:20:35.7] RC: A very, very good product that TDE does it’s best to hide and to never praise or never market to anybody. They are a very good mutual fund product. You know there is a few good funds — there is a few good low cost mutual fund families out there that manage money for a very reasonable cost and over the long term they do very, very good work and you know what? They don’t need to go and advertise to people because people find them.

[0:20:57.1] BF: Like [inaudible] and we know Vanguard just launched some active ETF’s. True, if you want active risk there are pretty cheap ways to get it.

[0:21:02.3] RC: It kind of disappoints me when I see Vanguard getting into these other types of ETF’s because I know why they do it. They’re a business even if they’re investor only, they still need to do well and of course they can’t have an empty shelf for a product that everybody is talking about.

But I do wish that someone will say, “You know what? We believe in core stuff and that is all we’re doing. We do it very well, we sell it very cheaply. Here it is.”

[0:21:25.4] BF: Yeah, earlier in the episode we talk about the burden that aging parents might have on their kids and I do want to ask a question about that in a second but at the other end of the spectrum, what do you think that parents could be doing to teach their kids, their younger kids or maybe young adult kids about money?

[0:21:42.2] RC: You know I think the biggest thing you can do for your kid is to teach them to spend less than they have. Whatever you have save some of it back. Living within your means is the most important personal finance skill of all. Because from that comes investing and saving and all of that sort of that stuff. So you have to teach someone. Some people have it naturally like I have two sons, one is 21 and one is 24. One is a natural saver and one is more of a spender.

But my 24 year old is working now and he’s saving scads of money and I am really impressed and you know what? I think I have talked to him over and over, I don’t try to lecture too much but like, “You know what? Don’t spend it all.” When he was younger and he had five bucks he would spend five bucks. I do think kids are teachable. I do think they have their own natural money personalities and you have to see what it is and let them make a few mistakes first, don’t take the hard line and be a killjoy.

Let them waste their money and learn, “Wow I wasted my money.” And that is the best lesson you can teach them but by and large, it’s how much do you have, how much are we going to keep back of that and start really young with allowances and birthday presents. Build the idea that, “Whatever I have, I am going to save a bit of bit back.” That puts someone on a really good track I think for a financially prosperous life.

[0:22:58.8] CP: I am curious how you did it. Did you do the teaching to them as a percentage of what they make? Or like with my son I said, “Look you have to save your RSP limit and your TFSA limit.” So he has an absolute dollar number each year to strive for. I am curious if you have an experience on that.

[0:23:13.5] RC: My son is working a contract for a Federal Government Agency and basically it’s been doled out like in four month chunks and I am telling him, “Save everything you can because you don’t know what is going to happen after this is over. So we'll worry about the fine tuning of where the money goes but right now, you need to. What happens if you don't have any work for a while, what resources do you have?" So basically I am just saying fill up the savings bucket as much as you can and from there, we'll worry.

But for someone who has a regular job, I think the discipline of doing that is important but you know young people are different from – I am 56 and today's young people have a much different mindset than when I did. There's three forks in the road where they might go at a certain point but once they are in the workforce earning a good income and it is reliable, buy a house, okay you got to really start redirecting tons of resources into that.

Do you want to travel? A lot of young people want to work for a while and travel. A lot of them want to go back and get to upgrade their education. So I am thinking, sometimes you think about having an emergency fund and then you are saving for retirement but I think there is sort of an intermediate term savings profile that young people need to think about and that dictates where their money goes and into what vehicle. For instance I might say a TSFA might be good if you are for your intermediate.

But don't neglect the retirement and then of course, there's your short term savings for your house down payment. Fine if that is your thing and I find that you have to be very nimble when talking to young people about what they want to do because they want to do things that I didn't actually wasn't thinking about when I was their age.

[0:24:46.0] BF: That is interesting even just on the topic of advice like all the questions you get from readers, I find just that conversation about buckets, that is a 35 minute conversation with somebody.

[0:24:56.6] RC: It is and I think there are more buckets now that there were 20, 30 years ago and I think there may be more buckets yet because you know the workforce is not just about getting a job and working in your profession and maybe you go to another company in the same field that world is receding.

And in a world of precarious or temporary or contract or gig work, people might just want to say, “Just as the workforce doesn’t want to give me a full time long stretch of work, I might choose to take a little break in the middle and maybe I’ll get a masters.

Maybe I will go to college and get a one year certificate to enhance my credentials, maybe I will travel for a while or take a sabbatical. This whole FIRE movement.

[0:25:37.6] BF: Can you share your thoughts on that?

[0:25:39.8] RC: Yeah, FIRE for Financial Independence Retire Early, I don’t think it is really a trend that is going to – has brought massive appeal or massive applicability but I think it reflects this. I think it is more interesting from a sociological-psychological point of view. What does it say about the times that all of these young people — like instead of the boomer generation, young people thought, “Let me at that career where I am just going to rip it up and build and put my footprint on it.”

These people are saying, “Get me out there as quick as I can. You know I am going to live like a monk for 10 years and then I am going to retire.” Like would boomers ever say anything like that? No way, they thought, “Well I will have my Audi when I am 40 and then I will have my cottage,” and these people are saying, “I’ll just retreat from the world,” you know? So I think they are seeing this the workplace as it exists for them is not a great place.

And they are thinking, “I want to be out of here as quick as I can,” they are taking the measures. I think a lot of people, it just isn’t going to work for them. I just think it’s too hard. You know the idea of retiring at 30 or 40 or even 50, amassing enough money to last you until you are 95, you know with all of these relaxation and you are not going to have any stress. You are going to live to be a 100 and you’re going to need savings like a monumental amount of savings.

And a lot of these people haven’t really had enough of life to know the curveballs that can be thrown at you. I think a lot of them are going to be, their financial independence is going to be of a limited duration. The other thing is I think if young people adapt it though, “I will be independent and then I will be able to take a year out now and again. I will take a sabbatical every seven years,” or “I will retire at 55.” Although, you know I mean Freedom 55, you probably all remember that maybe Ben doesn’t but –

[0:27:21.3] CP: We sure do.

[0:27:22.5] RC: We sure do, now 55, if I am living to 95 that is dumb. Who wants to be retired for 40 years? That is a lot, now you got to work hard to finance that but maybe financial independence retire early will be 55 when the rest of the population is working until 70 or something like that.

So I think it is interesting to me. I think it is just an insurmountable obstacle for a lot of people and I think they are really going to be disappointed when they engage with how hard it is.

[0:27:48.4] CP: So let us talk about that shift for boomers into their spending years now that the saving years for many of them are behind them. What do you hear from readers? How do you view this whole evolution that's going to be happening for many people going from the saving to the spending years?

[0:28:01.4] RC: You know what? The decumulation years? I think people, it's a black hole. I don't think there is nearly enough information for people out there about decumulation. Everything is focused on saving, saving, saving, building up your RSP and your TFSA. Only now in the past year or two or three have I started to see more people writing and offering opinions on de-accumulation. I think I got tons of questions from readers like withdrawal rates.

"And what should I cash in first and when should I take my CPP?" There needs to be a lot more talk about this and a lot more advice on this and I am amazed that nobody in the advice businesses capitalizing on this.

Why is there no retirement advice corporation saying, "We specialize in retirees. You come to us, five years before your retirement and we have you back. You tell us what you want to do, we'll do it. We are not going to guide you all the way from 20 to 65. We are basically your retirement wingman."

Nobody is doing it but there is –

[0:29:03.0] CP: People are doing it but they are not branding it I guess.

[0:29:04.7] RC: Well they are not branding it like that. Of course everybody is doing it in their practice but these are long time clients but there is a whole pool of people sitting out there at age 55 going, "What the heck do I do now?" And people send me, "Oh can you send me a link for retirement calculator?" I can but I think there's probably a touch more to it than that, you know? So anyway, I think the decumulation are huge.

We are at the think edge of the wedge now because the boomer generation is just started retiring a few years ago. I think it is a monumental opportunity for advice providers and I think – see, I am in the advice business but I understand it. But I also understand the minds of the clientele maybe better than some advice firms do. And I think the advice business has it's track that it's on about how it markets itself and how it brands itself and it to get off that track.

And start thinking like people are consumers of products and services and we are just a product and service and how can we resonate with them. I mean the idea of building wealth and all of that stuff that's great but that doesn't resonate or it resonates with a limited portion of the population. There's tons of people out there who are ready to de-accumulate and they don't know how and they will be making mistakes and there is a huge opportunity for advice people.

Advice providers to say, "This is how you should do it." And I think what a sense of comfort you'd bring to people. They will pay for it. I think boomers are as I was saying earlier, boomers are okay with paying for good service to help them make their lives easier.

[0:30:29.8] BF: So Rob, I would guess, if I had to guess that you are a DIY investor because obviously right about this stuff your head is right in it but you are not a DIY investor.

[0:30:39.5] RC: I have a bad habit of collecting financial products and accounts. I have way too many and one of my little projects for the next while is to make a list of everything I have so that with information so that my wife could deal with it all if something happened to me but I have a robo-advisor account. My wife has a robo-advisor account. I have an account with Moore Mutual Funds. I don't have any sort of DIY where I buy and sell my own stocks and investments.

And the reason is that, a couple of years ago I thought, “I am not doing my best work on this because I don’t have the time.” I spend all day writing about this. I don’t want to come home and open up my account and start looking after it and then I think, “Oh I missed opportunities here and there. I should have done this, I should have done that,” I thought, “This is stupid. I need someone to just do this for me.”

I find Moore to do that and I have a financial planner in the city here who my wife and I have seen so I have that and –

[0:31:31.9] BF: Fee only planner?

[0:31:33.0] RC: Fee only planner. Yeah I just pay for the plan and my wife has an accountant and a robo-advisor and I have an accountant and a robo-advisor and I actually do have a – see I forgot, I have an online brokerage account where I just throw some stuff in now again, I am using an ETF there and it is averaging into the Canadian market for a while just thinking it’s so undervalued and just particularly in December. So I am just shoveling cash in.

It is one of those online brokers that has no commissions to buy ETF’s, so I can dollar cost average at no cost and that’s why I do that. So I do a little of everything but the reason is that I like to – I need a good solution for me but I also need to know what people are doing and how does that work. So I got a couple, I own a couple of robo-advisors, online brokers and manage money, et cetera.

[0:32:15.5] BF: Can we jump in for just one second to the fee only, the flat fee hourly type advice model. What do you think about that and how is that going to affect the landscape?

[0:32:25.3] RC: I think it really resonates with people. I think they are nervous about going to see a financial pro and being told, “Now you have to buy my investments,” but I don’t know what I want. I don’t know if that is a good deal. It maybe you’re slinging mutual funds and I am a bit – I think those are too expensive. They want to see someone who will just sell the advice. I have a spreadsheet of people who work on a fee for service basis put together by a blogger.

And I probably send it out twice a week to people. Sometimes they ask for it, sometimes they ask about a certain kind of advice and I say, “Well this is something that might be able to help you.” I did a session for some civil servants a couple of weeks ago and while I was up on the stage I was saying it was supposed to be about DIY investing but I said, “When you’re a DIY investor that doesn’t mean you know about financial planning and tax planning and all of this stuff and you can let that stuff – you can neglect it while you are looking at it. Well even if you have a great portfolio.”

So I said if you are going to be a DIY investor, a good add on is a financial plan that you pay for on an a la carte basis. So I said I have this spreadsheet and if you would like a copy just email me and I will be happy to send it to you and I thought, “Oh well maybe one person may email or two” but I had probably between 10 and 20 people and it was happening as soon as I got back to the office I had a couple of emails and then for the next week or two, they kept coming in and I thought that is really interesting. I said I would make this available. It was pro forma, I just did it to cover that off in case someone was interested and lots of people are interested.

So it tells me that that is something that really resonates with people. A lot of people come to the point of their DIY investing where they think, “Okay, I got a portfolio but what about this financial planning question, RSP versus TFSA? How do I minimize taxes? What should I cash in first when I retire?” I think they want the financial planner. Now some I think might of these people might migrate to the full service type of advisor because they will think, “I like this advice and I want someone to manage my portfolio. Can someone do both?”

So I think there is a lot of room for the full service outfit and there is a lot of room for the fee for service and it is five years ago people said I can’t make a living doing this. Now people are saying yes I can make a living doing this.

[0:34:39.3] BF: Is that John Robertson’s spreadsheet that you are talking about?

[0:34:41.5] RC: Yes.

[0:34:41.7] BF: Yeah, we can link that in the show notes.

[0:34:43.8] RC: Yeah, it is really good. I like it because it's national and people can check out the rates and it's like a leads generator, who are some people who actually check out to see if they fit me.

[0:34:53.0] CP: That is a great set up for my last question for you. So we just met for the first time today even though I feel like we have been working side by side ever since I started in the business because I have been reading your stuff forever and I am sure there's lots of people out there that have a similar kind of call it a relationship with you. They feel like they have known like I have seen you in town for years but we have never really met before.

So what you do is so interesting and that you had an impact on many people for so many years. I am really curious, how do you define success in your life?

[0:35:23.5] RC: I define success by writing for an audience of people who tell me that I am helping them and it happens all the time. I mean my wife and I were on vacation in St. Johns a couple of years ago and a guy came up to me at the St. Johns Regatta and he said, "You know what? You really helped me. I saved so much by moving my mutual funds out of a particular company that had helped me put my kids through university."

And were with friends and they were just going, "Oh I like that," anyway, I was just thinking, "Wow that really makes me feel great. You know I helped this guy." And I have people stop me on the street to tell me stuff like that and I was with my wife in some mall in Ottawa and a guy came up to me and said, "You know I just want to say thanks," when that is happening, I feel successful.

[0:36:04.9] CP: So cool, good for you.

[0:36:06.1] BF: Yeah that is super cool. I could keep talking all day Rob but we're going to cut it off here to keep the episode within a reasonable time. So thanks a lot for coming on the show.

[0:36:16.0] RC: Thanks guys. I will talk investing with you guys anytime. Have me back and I'll be glad to come.

[0:36:20.3] CP: It been great and fun, thanks Rob.

[0:36:21.6] BF: Thanks Rob.

[0:36:22.0] RC: Thank you.

[END]