EPISODE 57:

A Masterclass in Business: Money Philosophy with Barry Ritholtz

[INTRODUCTION]

[0:00:05.5] Cameron Passmore: On this weeks' podcast, we have an extra special guest. Does that give it away to anybody?

[0:00:11.1] Benjamin Felix: That's was Cameron's Barry Ritholtz impression. 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.

[0:00:23.3] CP: Episode 57, yeah, I did my best Barry Ritholtz impersonation.

[0:00:27.9] BF: Yeah, as we noted in that intro there that this is an episode we did with Barry Ritholtz, if you don't know who Barry is, he writes for Bloomberg. I think maybe this is my own bias. I think that he's probably best known for now is his Masters in Business podcast which is huge.

[0:00:45.1] CP: I would think so, he's famous for making the call on the crisis of 2008, 2009 but then like just be more of a Wall Street thing, he wrote the book Bailout Nation, he puts out a daily blog, God knows how long he's been putting out but it's got to be 20 plus years every single day, it's an absolute news junkie, he's a Chief Investment Officer at Ritholtz Wealth Management which is one of the fastest growing RIA's in the US, he's a lawyer.

[0:01:08.4] BF: He's a smart guy.

[0:01:09.4] CP: A brilliant guy, he's funny, he's totally engaged, he's passionate, he's just a great guy, welcomed us into his office in New York City and it was hilarious.

[0:01:21.4] BF: He's all around an impressive guy and he started this firm, Ritholtz, in his own name, it's very similar to the way that we've built our business at, at PWL just in terms of the investment philosophy and the focus on financial planning and overall wealth management as opposed to just jamming investment products so we had a lot in common from that perspective.

[0:01:42.8] CP: Yeah, kind of the anti-sales, just putting information out there and people want to deal with us or Barry, they just reach out and that's how their growth is being – he basically told us how he got tired of turning down people who wanted them to help them with their investments.

[0:01:57.8] BF: Right, he's been writing for years and years and people kept reaching out and saying, I want you to manage my portfolio and he had to turn it down because he wasn't an advisor. He eventually started a firm with Josh Brown, who is also fairly well known in the space.

[0:02:11.5] CP: Yeah, these guys are just like giving back, so we just reached out to him and he said sure, come on down so we went to see him and it was a whole lot of fun. Without any further ado, our conversation with Barry Ritholtz.

[INTERVIEW]

[0:02:28.4] CP: Barry Ritholtz, welcome to the Rational Reminder Podcast.

[0:02:31.8] Barry Ritholtz: The Rational Reminder. I like that.

[0:02:34.7] BF: We're very excited to have you on.

[0:02:36.1] BR: I'm thrilled to be here in my office.

[0:02:38.7] BF: In your own office.

[0:02:39.2] CP: We must thank you because it's you guys who really inspired us to do a podcast, we've been listening to your Masters In Business for years as well as your colleague's Animal Spirits.

[0:02:48.8] BR: I'm coming up on five years of Masters In Business in July 2019, the 250th episode is in the near future. Mike and Ben have been doing Animal Spirits and that launched just over a year ago and I said to them, "You will be surprised how quickly the anniversaries start collecting." When you were little younger, you’re not aware of how rapidly time goes by.

[0:03:12.4] BF: But doing a weekly podcast is no joke as you know. Just because your head’s in it all the time.

[0:03:17.6] BR: Yes and no. When you look at like the really produced podcast that NPR does or Freakonomics do. Each podcast is a butt ton of work. I mean, they’re producing a full mini film without the video. What I do, look, I tell people we’re starting a podcast. Make sure you go in, you’re the most prepared person in the room including your guest.

I become an expert at each of my guests before they arrive. I read all their books, I do their bio, Mike Batnick who is our head of research, does a ton of work with me also and he basically becomes an expert in them also. We create a list of questions across four or five broad topic areas.

So yes, it’s a lot of work but let’s be honest, I get a guy like Scott Galloway who has been teaching the same course at NYU for 15 years, is an expert in that space. I just have to give someone like him a nudge and get out of the way. Michael Lewis a few weeks beforehand.

[0:04:21.9] CP: Amazing interviews.

[0:04:22.9] BR: you just – so delightful, I’m at a dinner the other night with a number of notables and Barbara Tversky –

[0:04:30.8] BF: No way.

[0:04:31.9] BR: Amos Tversky’s wife comes up to me and says, "I just have to say to you, how delightful your interview was with Michael Lewis." I’m beaming and I said, "Barbara, that’s very nice." First time I ever meat her, "That’s lovely for you to say that but let’s be honest, it’s Michael Lewis, you know, I don’t have a lot of work to do."

She goes, "Normally, I would tell you you're right but look at the interviews he's done with other people. Malcolm Gladwell, yours was just really – it was clear you guys were having fun." Well, I've interviewed him a bunch of times, I know how he thinks and I've read all his books. She's like, "No, that was really my favorite." And he told me that The Undoing Project would not have happened without her. She was instrumental to the book.

It's nice when people recognize it but to be honest, I have the easiest gig in podcasting. I don't shlep around equipment, I get to use the Bloomberg facilities which are awesome, their engineering staff and their editing staff, these are the pros of the pros. Bloomberg radio has been around for forever. I walk in, I meet really interesting people who I want to have a conversation with and I have a conversation, it really is the easiest gig in podcasting.

[0:05:45.0] BF: All right, you've got this easy gig podcasting which you've also got this billion-dollar firm. Can you tell us, how do you spend your time, how do you spend a typical week?

[0:05:53.9] BR: I'm very good at reusing a lot of the same time for multiple things and let's talk about the firm first. We're an ensemble practice, we're five years old, it's 30, soon to be 33 people, 34 people. 1.1 billion dollars. I do much less of the heavy lifting than we did in the early days when we were first launching.

It was literally Josh and I writing notes on yellow pads and taking phone calls from prospective clients and calling them back. He will tell you hilarious stories about he and I having a conversation in front of a client where he'll say something and me, being a high functioning idiot will say, "Yeah, that's not exactly right and here's what" – people fortunately found it charming but you know, any sales school or business place would tell you, that's not how you do it.

We knew we wanted to specialize in what we each did best, we brought in Chris Venn who is our Director of Wealth Management and Planning. He oversees all of the client facing advisors which are in almost a dozen cities across the country. We have New York, we have Florida, New Port Beach, California, Portland, Oregon, New Orleans, Chicago, we've two offices in Chicago, [inaudible] and Stoney Brook.

We're looking to add in places like Norfolk, Virginia and Charleston and San Francisco and Seattle and Minneapolis and Austin, Texas. Where you know, there's a whole longer story, this wasn't – hey, let's build and asset management firm. This was after a decade or two of turning down money from people.

No, I'm very happy, just researching and writing and talking about markets. I was fascinated by behavioral psychology and behavioral economics in the 90s, before all the cool kids discovered it. I began as a trader and I was just amazed as to all – let me take an even bigger step back. I go to – I wrote about this on the blog, I wrote about my bizarre academic career and my ass-backwards professional career but I went to college expecting to be applied mathematics and physics major.

By my third year, I realized, I'm pretty good at that but I'm not great at that and I'm surrounded by people who are fantastic at it. I was not enthusiastic about all the hard work that went into it and at the same time, I was interested in philosophy and I was interested in logic and rhetoric and logical reasoning. I switched to political science and philosophy. Ended up spending five years at Stoney Brook. Eventually graduated and went to law school, although actually, the order was opposite.

I went to law school and then graduated college but that's another story. But when you have that background, that is fairly evidence driven and logical and based in reality. Stepping into the world of finance or trading or investing, it's just a myth driven business that is mostly sales or at least that's the way it was when I joined the industry. I didn't want to do the sales. I just wanted to spend time debunking the myths, figuring out what was what and behavioral finance was huge.

Thomas Gilovich's book, I think it was 1991. *How We Know What Isn't So,* just basically sent me down the rabbit hole and from there, it's been Kahneman and Tversky and Thailer and Schiller Myer Statman and Dan Hourly and work your way down the list of people who have pushed Dunning and Kruger and the list goes on and on who have pushed the boundaries of us understanding how we make decisions and why they're awful, often so terrible. And to investors, that's an enormous insight that most people simply don't get usually.

[0:10:06.4] CP: What is your mission? Is your mission like your own fulfillment to do things better? Is it to change the world, is it to build a great, big investment practice. What's –

[0:10:14.5] BR: Which mission? You have to –

[0:10:16.1] CP: Your mission.

[0:10:17.1] BR: All right. My deep dark secret which really isn't a secret is I do everything to entertain myself. The blog started first on Geocities in I think '98 or '99 was just – now, remember, in the 90s for you young ones, there wasn't Google Drive, there wasn't Box, there wasn't Dropbox, there was no cloud.

[0:10:38.9] CP: For the record, I'm not that much younger than you, Barry.

[0:10:41.1] BR: I'm talking to the listeners. I started using the blog as a filing cabinet. First, it just became, where can I throw charts and documents if I wanted to find them either at home or the office or at the beach house or wherever you happen to be on vacation with a laptop.

People don't realize, wait, you didn't have access to your documents? No, there was no cloud. The closest thing to a cloud was posting a chart or a doc or a PDF on Geocities. When Typepad invited me to be a beta tester in early 2003, that was just, "My God, [inaudible] I don't have to". You used to take a half hour to write something and then about two hours to code it in html for Geocities. That two hours disappeared, it went to 90 seconds on [inaudible] Typepad software.

That was '03 and '08 I moved to WordPress but the joke which is really only half a joke is I write to figure out what I think and besides, it helps quiet the voices in my head and it really is an audience of one and it's very freeing to not care about clicks and to not hey, it's nice when something goes viral, it's nice when something gets picked up and shared.

I did a piece last week for – it's Monday, it was this week, I wrote it last week, it published early Monday called '10 Terrible Things People in Finance Say' and I thought that was like a simple piece that was just annoying me. To me, once I get it out, it's a little cathartic. All right, you know, it was the most read piece on the Bloomberg terminal, it got shared all over the place. That's gratifying. That was not a piece I expected that to happen, it was just – I got to get this out to stop the tumors from forming. The podcast is the same way.

[0:12:35.9] BF: Can you talk a little bit about – you've started this RIA which for our listeners, in the United States an RIA is a firm where there's a fiduciary requirement.

[0:12:45.4] BR: Right, we're RIA, if you're over a hundred million dollars, you're SEC regulated. It's not FINRA, it's not a broker's firm, it's not commission based transaction. We are fiduciaries to our clients, it's fee based, we sit on the same side of the table as them, their best interest is what we're working for. I expected this model to take over the industry 20 years ago.

I have been consistently wrong, maybe it's longer. Consistently wrong as to how soon the brokerage model would collapse, it continues on and in some places it's getting stronger and Morgan Stanley is doing great. Meryl Lynch and UBS are still attracting assets. Although, they've introduced a little bit of a hybrid BD-RIA, a brokerage RIA version.

I spent the first half of my career turning down money, I didn't want to be bothered, I can't – first, I don't want to be infected by the emotional virus that the humans have. Second, the back office, the administrative, the accounting, the compliance – it's just such a pain in the ass. Let me just sit in my office and think about stuff and write what I hope is reasonably intelligent and somewhat unique perspectives.

When I brought Josh Brown onto our old firm where I was working, he had spent the previous decade running a broker's firm, working in and eventually running a brokerage firm. He knew exactly how hard it was to get people to give you money when you ask and he said, "Dude, when someone says, here's a million dollars, please take it. You can't say no."

I said, "Look, here's what I don't have any skills at. I don't have the back office skills, I'm not a salesman, I tend to say what I think, not the best thing in front of client's often and the running of an office and managing staff and I suck at that stuff. All I want to do is think about the broader philosophy of the firm, manage the assets and you know, set the tone and the direction of what we should do."

He's like, "Great. I'll do everything else, let's get started." No bullshit, it was that short of a conversation. Everybody has seemed to have found their role in the firm. When Josh says I want to be – when we launched this, I said, "I'm going to be chair of the investment committee and chairman of the firm, we have to find a CEO," and he said, "I'll be CEO, I run a brokerage firm." No brainer.

Really talented guy, can manage people, we all do media because people seem to appreciate what we have to say, we brought on Chris before we launched the firm who basically would pick up yellow pads. This is an absolutely true story. He would pick up — what are these? Those are a bunch of clients, you should — or prospects, you should call them. What do you mean? Well, they have people called us and said, take my money and we just haven't gotten back to them.

Our methodology here is a little different. I sort of half jestingly said it's a European model. Basically our model is crank out a whole bunch of high quality valuable contents and have it seen or listened to or read by lots of people and if .01% of them say, "We'd like to become clients." Well, A, you've helped 99.something percent of people understand what they should be doing with their money better and B, hey, you know, that's a couple of bucks a year, that's a pretty good model and you'll notice, we're here during market hours.

The phones aren't ringing, there's no TV in the background. Nobody is working their leads. It's not how we – you know, I've called this our exorbitant privilege. That we actually get to sit and think about what we should be doing and what's optimal for clients and not get caught up in chasing business. Chris, spent the previous decade at Wells Fargo where working for – when he was very young, working for two senior brokers and they hated all the seminars and stuff that Wells Fargo spent hundreds of millions of dollars creating and doing.

This is before they lost their way and became the force placed insurance capital of America. The parado system and all these different – here's how to manage clients, here's how to manage a model, here's how to manage client's communication. He's a wizard with that and I didn't want to do it, Justin want to do it. He setup an entire system so that when an inquiry comes in to us, email, website form, phone call or we've literally had walk-ins, we've had people walk into — in the old office, you need a card to get in here.

In the old office, you could just push a button, in the old, old office. Before we launched our WM, you could push a button and just go to 25 and the doors open and we would have people literally walk in and say, "Hi, I'm here to open an account." Hey, we're not a bank, we – Chris did a number of things that system turning that into a finely tuned machine is what he set up and he also – we knew we were interested in financial planning but neither Josh nor I are CFP's. Chris is, we're going to end up eventually, wind up with about a dozen CFP's by the time 2020 is over.

I think we have seven or eight at this point and one or two more who are coming on with us. He didn't take a whole lot of convincing to say to Josh and I, "We need to integrate planning into the front end of what we do." Our process of bringing clients on is to do a very light version of the financial plan before they are clients, after they become clients, the get the full blown plan. But how do you recommend a portfolio to someone if you don't know what are their assets, what are their goals, what else do they need, what's their cash flow like. What are their future liabilities and obligations, what are they saving for, what do they want to do with their money?

I say to people all the time, why do you want to have money in the stock market to just beat the S&P, towards what ends? You're taking on additional risk, you're assuming additional volatility, why do you want to just beat your neighbor for no purpose? When in order to win, you're taking a chance of not only losing but losing big. The flip side of performance is underperformance.

The flip side of gains is assuming risk. There is no gain without the possibility of loss, that's how it works. People need to understand that and planning does a really good job with that. If you can reduce the amount of risk and hit all your goals, isn't that better than otherwise, on a hundred percent of the highest beta stocks there are.

You know, when 08, 09 comes along, you'll be down 60, 70, 80% but hey, Amazon came back, all these stocks came back. Do that. You're not going to sleep well at night and you're going to worry all the time but give up a little performance, have some bonds to offset your equity but all these thoughts, the whole philosophy of this integrates very much into how we designed the firm, built it, integrated behavioral finance into it and really just try to come up with a model.

We didn't want to be different for difference sake, we look around and saw a lot of things we didn't like. What we didn't like was the way people were performance chasing and overcharging and basically running this insane sales machine on most of Wall street.

We wanted to do something that was a little more erudite and a little more thoughtful and that worked out better for clients. PS, we all eat our own cooking, everybody here is an investor in the same portfolio as the clients have, all our 401(k)'s are the exact same portfolios that clients have and we're becoming — we started out as a two partner firm, we're now up to 10 partners. We're becoming an employ owned firm. Everybody participates, everybody eats their own cooking.

[0:21:07.0] BF: I want to dig into that a little bit more Barry, can you talk about, you mentioned, you wanted time to sit in your office and think about the direction and philosophy, what is the firm's investment philosophy? What does a portfolio look like?

[0:21:18.8] BR: We believe that people should know a low cost globally diversified asset allocation model that avoids the behavioral issues that everybody has and simultaneously incorporates what we know to be true, which is very little.

That means we use a broad indexes and ETF's. We know that value and small cap, over long periods of time, outperform the overall market, they've stumped the join up over the past 10 years, we know, but will eventually mean revert, we know that people have a tendency towards home country bias in the United States, there's even a home state or regional bias.

They've done studies, we've seen, I've read the academic literature, if you're in Texas, you have a disproportionate — or that part of the south, you have a disproportionate amount of energy if you're on the west coast, you have too much technology, if you're in the Midwest, you have too much industrial and manufacturing, if you're on the north east, you have too much finance and banking. People go with what they're comfortable and familiar with.

Comfortability and familiarity are not how you do okay or better in the market. We're probably about 50% overseas, 50% US, more or less, that's equal weight to what the world is like but that's high relative to what most people are like. The good news over the past couple of years with US doing well, the people who suffer from home country bias are doing pretty well.

The bad news is, they got shellacked in '07, '08, they got killed in 2000 and very often, when you go through an event like that, you don't stay fully invested all the way. Capitulations occur, the word capitulation means surrender. Capitulations occur when enough investors, throw their hands in the air and say, "I just can't take it anymore, get me out, I don't care about the price," bottoms are made when enough people puke up stocks and say, "I'm out." Those are the worst times to be a seller and those are the best times to be a buyer.

Very difficult to fight the crowd as either a professional or an amateur. We got lucky a couple of times but that's not what we sell to clients, that's not what we offer to clients. Our perspective is, nobody consistently times the market. Let's own the whole world in a rational set of performances, we use Vanguard and Dimensional Funds and Black Rock and DFA, I said DFA already. Vanguard, Black Rock, Dimensional Funds, Wisdom Tree.

We have a slight value tail than a slight small cap tilt but we're global, we're low cost and it's really simple. I think Wall Street tries to make things more complicated because there's big money in showing, "This is really intricate and complicated and you need smart guys like us at a high fee to walk you through it." The entire pension and endowment sector has bought into that bullshit and it's really embarrassing. They should be ashamed of themselves.

Every time I look at a pension fund, every time I look at a private foundation, I want to say to these people, "What consultant sold you this bullshit? This is nonsense. They're promising you stuff but you just have to look at your past five years of performance." I don't think institutions need a 60/40 portfolio, they don't need that much bonds for a perpetual set of holdings with liabilities off in the future.

But the 40% is for the people who are on the board to not lose their minds every time the market does what markets do and go through its regular convulsions. I look around at that sector of the industry, the fees that I've seen are 3% for foundations. 3% for nonpublic pensions. There was just a piece in Institutional Investor today that not only is Yale underperforming SMP, the Yale Endowment which was audit for the past decade. I feel like 80% none liquid investments.

I guess some people think you need to own forest lands by the hectare-acre but can keep it simple, you can keep your cost down, there's a wonderful Wall Street Journal article a couple of years ago, about the guy running the Nevada Pension Fund. It's one guy, he goes into his office, he has his tuna fish sandwich and he basically plays minesweeper all day. I think he makes 150 grand.

Compare that to any other endowment. Maybe that's extreme, you don't have to go that far but to pay a 3% annual fee on illiquid investments across the pension industry, plus consultants and it's amazing how calcified that sector of the industry is and it's amazing what sort of an agency problem exists that boards don't want to take responsibility. They pay expensive consultants to put them into crap which I like to describe as come for the high fees, stay for the underperformance.

[0:26:29.1] CP: It's not just foundations, I've seen some pitch decks, some of the biggest banks here in Manhattan that are pitching these alternate asset classes that behave differently compared to the rest of your portfolio.

[0:26:39.4] BR: Well, when you say –

[0:26:40.3] CP: It looks like they're sales shops for all this kind of stuff. All this alternate stuff.

[0:26:43.5] BR: Totally. You know, the biggest shocker after I wrote *Bailout Nation* was that people still didn't understand how the financial crisis happened. No, don't you understand, I just spent 300 meticulous, laborious pages explaining the many inputs into this crisis, we've resolved this, can we move on?

It continues and that was like a giant wakeup call that you can't – the answer to one of your original questions was, what's your personal mission? When I was younger and more naive, I used to believe you can change the world. Now, I'm a little less ambitious about that and I think you can change the viewpoints of people who are willing to have their viewpoints changed.

But, if someone tells you and I want to do politics because it's too easy, but if someone tells you, I think I could beat the market, I think I could pick stocks better than an index, well, I could show them an overwhelming amount of data that statistically, it’s highly improbably that you’ll do any better than for a month or a quarter, you’ll beat the market. Maybe a year or two.

But you’re not going to be Bill Miller, you're not going to be Michael Jordan, you’re not going to be – you can go out and practice three point shots all you want, right? You’re not going to get drafted by the Golden State Warriors.

[0:28:10.8] BF: I mean, even Bill Miller couldn’t even keep being Bill Miller.

[0:28:13.1] BR: Right. You know what? I use the metaphor, I like cars, I like to drive fast. My mom says the first word I ever said was car. I get up to Lime Rock whenever I can or Monticello Motor Parkway and not as much as I would like to but occasionally, the parallel is, if you set the course speed record on the straight away. But then you plow in the wall at the end because you don’t’ make the turn, that doesn’t count, you don’t get the course record.

You have to survive that last turn. If you plow into the fucking wall, I don’t care about the speed record, it’s not a drag race, it’s a track. The people who outperform consistently for a few years and then blow up spectacularly, all that tells you is that they’re taking so much risk that their upside is great but you can’t ignore the other side of that equation.

The downside of just stomping on the accelerator and holding on to the steering wheel and going down the straight away but being unable to make the turn is you die at the end. That’s a bad strategy. And that’s what we see with not all – look, there are enough people who have consistently outperformed the market over time that I don’t buy into the claim that it’s pure luck.

But you know, there are Steph Curry’s and LeBron James and other people who are just so far ahead of the rest of their competitors, they’re unique. What Jim Simons put together at Renaissance Technologies, DE Shaw, Ray Dally with Bridgewater, Howard Marks at Oak Tree. All these people doing very different things. T Shawn, Renaissance, so similar.

But Howards Marks and Distress. I could give you a run of a hundred people, there are a hundred million investors. The fact that there are a hundred people we know about who have consistently beat their benchmark year after year. That shouldn't encourage people to try and do it, that should remind people how hard it is.

You can have a pretty good outside shot in basketball, you can play, you can have a good crossover dribble and you know, a pretty consistent foul shot, statistically speaking, the odds of you becoming the MVP of the finals is pretty close to zero. You're more likely to be struck by lightning.

You could say that because I could look at the numbers and say, there's a hundred thousand high school athletes and 8,000 college athletes and 2,000 NBA players or whatever the number is. I think it's even less than that, a thousand. Plus, the minor leagues. The math is clear, it's obvious. It's even worse in investing. Yet people, ego wise, want to believe that they can do it. I'm very comfortable if someone says I'm going to take 5% of my portfolio and put it in a fund account and I'm going to buy this and sell that.

You can do angel investing, you could do — buy art, buy collectible cause, buy whatever you want. If it works out, great, if it blows up, be happy it wasn't your real portfolio. Even if it works out, I'm going to say, you know, "If you own Amazon, look at how many times Amazon has it 80 or 90% draw down, right?" If your whole portfolio is in Amazon, you can't survive that, your head will explode.

But if it's a couple of shares, often account you don't even look at, that's fine. But you have to understand that that 5% is — that's it, you're not going to add anything to it and that's your play account. When at zero, it's telling you, "Hey, you suck at this, just leave your real money alone." That's a tough concept for people to grasp. Even when it goes to zero, their ego will not allow them to admit that they're not good at that.

[0:31:58.8] BF: Going to zero is probably the best outcome because they might learn a lesson. If it doubles, that's probably the worst outcome.

[0:32:03.5] BR: You know, I've told people the worst – who tell me they're going to Vegas for the first time, I always say the same thing. "Hope you lose all your money." They think I'm being obnoxious. They say, "Why would you say that?" I go, "Because the worse thing in the world that would happen if you go to Vegas and make a bunch of money because now you are end gram, your memory is now etched with the thought that you're skillful, not lucky and you will spend the next 40 years suffering the repercussions of that."

Go to Vegas, lose some money, never go again. Go to a show, go to a restaurant, that's great. Don't think, we were at the Salt Conference in 2013 or 2012. Around then, I remember, it was at the Bellagio and the Bellagio owns these two Monets. It's literally velvet rope, you have to get on line and I'm next on line to view these and there are these two like really big tourists husband and a wife with a heavy southern accent and they're looking at the painting and they don't know what to make of it.

The husband says to the wife. "Come on honey, let's go in the casino and win us one of these Monets." I want to say, "You understand, they own a 40 million dollar painting because you go in there and lose money, you are going to subsidize this with your gambling." People don't get that and when you look at the profits in Wall Street and you look at the profits that are extracted by either high fees or excess trading or IPO's or go down the list. That's where those profits come from.

[0:33:42.9] BF: Barry, we're doing portfolios. When you're describing your practice, I'm thinking, I was smiling because it sounds to a tee, identical to the way that we think about things and implement things which is interesting. You also mentioned that you love the behavioral side. Can you just talk a little bit about how you're approaching the client conversations because small cap in value like you said have stunk up the place for the last 10 years.

[0:34:04.2] BR: To answer that question, I'm going to step back and say, how clients find us. I've been writing publicly for 20 plus years. The blog is going to be five years, I've been doing television since '03. Pretty much got the financial crisis right. Warned about housing and derivatives and subprime in '05, '06, '07.

[0:34:25.5] BF: Really?

[0:34:26.1] BR: Yeah, print, thestreet.com, on the blog, I wrote a piece for thestreet.com. I disagreed with Michael Lewis about something, apologies for the name drop again. I interviewed him at the Inside ETF Conference and he said something. I'm now coming around to his view. He said, "I'm amazed when you write a book, it’s not the book that people read. Your intention on what you think is important and very different than what people perceive."

I’m like, "No, I don’t’ see that." Now I’m kind of getting what he says. I wrote a piece for thestreet.com called The Cult of the Bear. The whole concept in '06 or '07 was to just charge warning that housing was falling, I was warning that this is a wonderful chart of the relationship between median income and median home price in the United States, it goes back like a hundred years.

It’s a sideways squiggle for most of those years and then in '01, it just goes straight up and by '06, it’s four standard deviations away. You could look at that in other ways, cost of renting versus cost of ownership, same chart. The value of homes in America relative to GDP, same chart.

Really, the solution to that is either everybody’s salary is going to triple or housing prices are going to come down 30, 40%. Well, we know what happened. I was talking about this and writing about this in public. I want to do an exercise. Nobody, the market kept going, housing was faltering, nobody wanted to believe it. I did a piece saying, "If this is correct and if people like Ryan [inaudible] are right and that financial crisis lead to markets getting cut in half, a 10 year week recovery, housing prices loosing 30% that is their research in data before the financial crisis, if that’s true what’s fair value for each of the companies in the Dow and what does that work out to be?"

So I again, pretty meticulously worked my way through how dependent is Bank of America and General Motors on financing. And you go through everything and how does that affect the profits and I come up, I think the Dow is about 13,000 and change and I come up with the ballpark number of about 9800 for fair value but then I pressingly it right and this is just a number I just made up. Hey, if the Dow falls from 13 and breaks 10 and goes to 9,800, it’s going to cause a 3,000 point panic and I think my initial number was 4,000. A friend said, “No, it is 2,000,” and I said, “Let’s just split the difference and go 3,000.”

And so, we could see Dow 6,800 and so when Business Week sees the piece and says, “Do you want to participant in a year end’s forecast?” I’m like, “Sure but this isn’t a forecast, this is just a…” "Do you want to participate or not?" Okay, this is when Business Week was part of McGraw Hill and so I drew the parallel numbers and I put Dow 6,800 and I think the S&P was like 750 was the forecast, whatever it was and not only am I an outlier, I am an outlier by like –

[0:37:43.8] CP: You're the nut.

[0:37:44.9] BR: And I am doing [inaudible] pretty regularly and he has me on and he's apoplectic. He loses his mind and so, I try to say to Michael Lewis's point, "Look, don't pay attention to 6800. The issue is housing is the key part of the economy and if housing falters, what does it mean for the bank?" Look at the builders, the builders were already almost cut in half at that point, right? You look at '06, the builders were getting shellacked and '07 the mortgage companies we're getting –

No, maybe it was '05, '06, '07 it was builders then mortgages then banks and brokers. They were all rolling over. They were telling you if you believe markets contain information that something wicked this way comes. Nobody wanted to hear that. It was just sh – we had just lived through the dotcom collapse and I wrote a piece in '03 that says, "You know expect to see a lot of ups and down but typically it takes 10 to 15 years to work through a collapse of this sort."

So to think that five years after the market bottomed in October '02, we were setting new all-time highs and that was sustainable, that goes against everything I've seen historically about bear markets, about recoveries, about cycles, about washing out the excesses. It just seemed too fast and easy, right? That is a squishy non-quantitative way of analyzing it but when you look at the historical cycles, this was way too soon and then when you looked at all the excess in derivatives and sub-prime and securitization and housing, my favorite story was I don't remember if they were grape pickers or strawberry pickers.

Husband and wife, working immigrants who buy this house in California for it was close to a million dollars. I don't remember the exact number but the key takeaway, I sat and I looked at their salaries and I looked at the mortgage, no money down, 100% financing and I calculated their monthly mortgage and said if they take 100% of their pre-tax income and use it to pay the mortgage they still ultimately default and lose the house. How was this possibly sustainable?

So I am dumb because I didn't figure out a way to short that side of it. The firm I was with at the time, we were short bear, we were short lean, we were short AIG, again if I were smarter we would have married a put to that. Very difficult to be short lean all the way to zero, very difficult. It just kept ripping back up in your face. So even knowing or having a good idea of what was going to happen and even being in the right things, it’s still hard.

And you know I think we finished ’08 flat. We should have been up much, much more and the year when the market was down 38% and fell 57% peak to through like I had that about as right as you are going to get it and still gee, I know breaking even in that crisis is great but it isn’t like after the fact you realize, “Oh you should have been up 500%.” The lesson I took from that was, well we could base on this track and then oh, March ’09 went on TV and said you can cover your shorts here and go long. Everything is oversold as it ever gets.

Now I happened to do that the day before the bottom. If you would ask me the same thing three months earlier or three months later, I would have said the same exact thing. That is just dumb luck of the timing. We could have taken that track record and launched the hedge fund, raised a billion dollars, taken a lot of cash out but then two years later, all that money would have fled. Instead, I tell people, "Look, with all due humility I don’t know anyone who got the top and bottom better than I did and I don’t want to run money that way. I don’t want to run my own money, I don’t want to run your own money that way."

Because how do I know I didn’t just get lucky. How do I know that the sure or let’s say I am really skilled in identifying that boom and bust, how do I know the next one is going to be remotely like this and I will have that skillset? This isn’t false humility. This is just Aristotle saying the only thing I know is that I know nothing. So I extrapolate that forward and say, "How do you really know what you know and how can you separate your own impression of your skills and intelligence from just dumb luck?"

And most people don’t like to do that analysis. Most people prefer to say, “No, no I am really smart. I am good and therefore I deserve a higher quality of life and a bigger paycheck and give me your money because I promise you, we’ll get out before the ship blows up.” And that is just nonsense.

[0:42:21.8] BF: I got another question for you Barry. You guys are running portfolios in a way that’s very systematic. You guys are doing content that anybody could get for free. What do you think the clients of RWMC see as the biggest value add? What are they getting in return?

[0:42:34.8] BR: Oh that's easy. That's the behavioral counseling. That's what we do and we do it in a lot of really subtle ways. Some are overt when we bring people on the process, we don't just take people's clients. We make sure they understand what we do and we're trying to figure out what they want. If someone calls up and says, "What is your [inaudible] of ratio, what is your short version of it?" Like we're probably the wrong fit for them.

They either read something I had written a while ago or they saw Josh on CNBC talking about the [inaudible] stock and I love that he goes on that game show and is the voice of reason amongst traders. Listen, I started as a trader. I loved being a trader. I don't have anything against people trading either professionally or with their fund money but not with their retirement savings, not with their real money.

So, the idea of using behavioral finance to affect people, we found some of it is really dumb and some of it is really insightful. We've told people who need money for real short term needs a house or college that they need to be in the most conservative portfolio and have gotten push back from people saying, "Well, I am not politically conservative." No, no it doesn't mean that.

So we changed the names of our portfolio, I am a space geek, I am an astrophysics junkie. So our portfolios and our robo advisor is called Lift Off, liftoff.today or liftoffinvest.com and we use portfolio names relative to how far the NASA missions went. So Pioneer Discovery and Voyager are just Mars, Jupiter and out of the solar system, are relatively conservative moderate and the most aggressive and not everybody gets upset when you call them a conservative portfolio but it's come up enough times that like, "All right, my pattern recognition engine is starting to see that."

We created a feed discount for good investing behavior. We call it Milestone Rewards, after three years, which is what the data shows that investors tend to get bored with a mutual fund holding. We discount their fees an additional 15% assuming they've done their financial plan, they haven't logged into TD or Schwab and day traded their account. Basically, they are buying into the philosophy, we give them a pretty substantial discount.

We spend a lot of time debunking nonsense, getting people to think about long term and not dealing with the availability bias or the recency effect or all the over confidence bias. There are so many different things that people do that are just natural human responses, that we really spend a lot of time trying to show them the context of this. That market draw downs and crashes are inevitable, that recessions happen all the time. That these things are cyclical and if we had any confidence that anybody that could consistently forecast, well then we might swing in and out of portfolios but you know, all you needed to do is be wrong once and all the lucky calls beforehand turn out to be meaningless.

So we integrate a lot of that. I'll send you the link to this. I actually put something together on the site talking about how we use behavioral finance in our practice and again, I don't care if other advisers who want to do that. We created a series of things that we think have been really helpful and once people understand their investing towards a goal and how the market did last week, last month, last quarter isn't relevant and that draw downs are inevitable and people selling snake oil and promising you, "I will get you out in time and then I will get you back in," once they realized the statistics and the evidence about that, it's a very different conversation and all of that is behavioral.

[0:46:47.3] CP: So you mentioned Lift Off, which is your robo solution as part of your offering. There is not a very large robos here in the States, can you talk about your opinion on the future of robos? Especially in an industry where there is now one ticket solutions from Vanguard where you get instant diversification and one ETF for a couple dozen basis points.

[0:47:06.2] BR: So it really depends on how you are as an investor and what level of service you want, right? So you can use Betterments, you can use Wealthfront. We use Betterment as the backend engine of Lift Off. We actually they're the third and final attempt. We have gone through three different – we started with one company and a month later they got bought by someone else and they orphaned the product and then we went to a different company.

It wasn't really their core focus but they promised all this time and attention on it and that eventually faded. And finally we said if we are going to do this, we need someone who is going to stick with it, Betterment has a good back engine that works and it is seamless from when you land on to the site to when the account is – there's no manageable intervention.

Now, if you are 50 or a $100,000 and you never want to speak to a person and you just want to be online, there are a ton of cheap solutions for that. If you have millions of dollars and have complicated tax issues, you have trust and estate issues and there's going to be a generational wealth transfer and going down that list, you need a different level of service. That middle is where people kind of need a little more help but they don't need to pay a butt ton of money and so what we created with Lift Off is we took one of our CFP's and they work exclusively.

Matt Laurius works exclusively with Lift Off. Clients get to speak to the same CFP, it's not like calling a call center and some random person is assigned. They're not going to need tax planning, they are not going to need estate planning. They are probably not need the sale of the business or all of these other complicated things. They don't need a muni-bond sleeve and go down a list of things that the higher net worth investors want and or need. Hey, they want a decent portfolio of quality holdings.

But they want a little bit of a plan, a light plan and so we end up doing this — if the average fee is a 100 basis points, this is 50 basis points with a live CFP. It is not full, naked robo, no human just software only and it is not the full service. It is in between and to do this without a call center to have a single person that you are dealing with is a nice solution to that. We started with the robo because we hated — with these software driven algorithm based allocation model.

Because we would get increase from people for 50 or 100 or $200,000 and we hated sending them out into the wild because you know the wolves are going to smell a wounded dear and just take them apart and so this allowed us to say, "We're running your portfolio. We are overseeing what is going on here. We are using this backend model." It is pretty much all Vanguard funds so the internal expense ratio is really inexpensive but you have somebody you can speak to who is a trained CFP professional.

And it is more than just "Fill out this form online, click a button and then you'll get quarterly statements." So, so far so good. We're enjoying working with Betterment.

[0:50:23.1] BF: So we have solutions with that and firms like PWL in Canada, which is like our IRA equivalent in the Canadian space. With solutions like that out there, how do you think it is that commissioned stock brokers and actively managed mutual funds those are still flourishing?

[0:50:38.9] BR: I don't know, I have been wrong about that for 20 years. I have been saying to advisors, who were brokers in the 90s and it's all dudes, you have to move your business over to fee based. It will be painful for year two but it is so much better than being dependent upon what happened last week, last month. You know you could just look at the commission business and how it spikes on the last day of T plus three within a month.

Meaning, the last day you can execute to trade and still have it appear in that month's commission runs. It is such a commission at that last day like the 27th there is a giant spike. That tells you all you need to know about the motivation of that side. Now I know a lot of guys who are brokers, who actually care about their clients and they don't engage in that sort of nonsense but they are the exceptions.

Most brokers treat clients, let me phrase this precisely. When you incentivize somebody to harvest the client's organs for a resell on the black market, they will harvest the client's organs. Incentives matter. We know this from economics, if you say to somebody, "Here is 1% or here is 75 basis points and make sure I achieve my goals." They'll do that also.

[0:52:01.5] CP: Do you see a time when this fiduciary standard forces people to recommend index funds? Is that day ever going to happen because I mean your guys, Michael and Ben, they had a chart one of their blogs a couple of weeks ago but how little of the market is actually in index funds? Like 10% or some tiny number.

[0:52:19.4] BR: So the fiduciary standard says that you have to put the client's interest ahead of your own. Now, if the client says, "Look, I understand and appreciate indexes but I would like to – I think technology is going to be great so I want at least a sleeve of technology." Now there is a spectrum. I don't think that you are going to be able to say you're 90% Amazon and 10% S&P. That is a little – but if someone says, "I want 5% or 10% of my portfolio in..."

I am not a fan of private equity or venture capital or hedge funds but if someone wants to put 5% on the money in a couple of startup entities, as long as their real money is growing and doing what it's supposed to do is fine. So to turn around and say, "It must be indexes." There is a credible argument to be made that indexes over perform towards the end of a cycle until that cycle tips and then they underperform because just look at the late '90s.

The S&P 500 was widely overladen with Dell and Yahoo and Microsoft and Qualcomm, you know think of the big companies that because it is cap weighted, you know it is the nifty fifty all over again. So there is a credible argument to be said, "Hey if you are going to index, you should do your fundamental waiting or an equal waiting or whatever." I could take that argument and you know here's when things start to get complicated.

Some of the arguments that are made talk about investor choice and I think there's a difference between saying, "You must invest this way," versus, "You must have this standard of care, this quality of care." So those standards should be your best. You go to a doctor, you go to lawyer, you go to an accountant, they are obligated to put your interests first. There is no reason why financial professionals shouldn't have that same standard of care.

However, it doesn't mean that a bureaucrat or a regulator should say, "And this is how you should invest." You and I know how people should invest and it is up to us to engage in that debate in the marketplace of ideas and you just have to look at the flows going from active to passive, going from expensive to cheap, we're winning that argument. It's a long time coming. It is slowly and surely developing but it is not an argument that needs regulation to say teach people how to invest and make them invest this way. It's happening organically.

[0:54:53.5] BF: Okay, so you've had this firm since 2013.

[0:54:55.8] BR: Right, we just celebrated five years in September.

[0:54:58.4] BF: So working with clients, being involved in the financial advice process, all of that stuff, is there anything since you have started dealing with investors and going through their whole life cycle, is there anything you have changed your mind about over that time period?

[0:55:09.9] BR: That is a really interesting question, which is a great delaying tactic while I am try and think of an answer. Whenever anybody says to me, "That's an interesting question." I know they're like, "Oh so you got nothing on your fingertips." What have I changed my mind about? I change my mind about a lot of stuff on a regular basis. I will give you an example and this is more philosophical than specific.

I used to make fun of the efficient market hypothesis all the time. I just thought it was kind of absurd but really, I figured out that I was making fun of the strong EMH, the most extreme version and I wrote a piece, I must say it was ’05 called 'The Mostly Sorta Eventually Efficient Market.' Which basically is an argument for a week over EMH meaning, yeah markets eventually reflect most of the information that’s out there but it doesn’t get everything right. Josh, we were having a conversation the other day.

I told the story about the close end fund Cuba, which has nothing whatsoever to do with the island Cuba but when President Obama opened up relations again that thing spiked like a ridiculous amount but you know, Eugene Fama would say, “Yeah but eventually it came back down to where it should be." So markets are efficient that doesn’t mean people aren’t occasionally dumb or irrational and it’s sort of ironic, Schiller and Fama won the Nobel together. Because I think Fama was talking about the middle of the cycle and Schiller was talking about the ends where the animal spirits run amok.

[0:56:55.0] CP: Interesting.

[0:56:55.5] BR: I have become more generous in my interpretation of EMH in that the bottom line to Schiller – I am sorry, the bottom line to Eugene Fama of Chicago is for the most part, people are not going to beat the market, certainly not over large periods of time and certainly not with large sums of money. You can beat the market occasionally for a stretch, you know renaissance technology 40% of the medallion funds, 40% a year for 35 years that’s Michael Jordan. That is an outlier. You are not going to do that.

That is 300 PHD’s in mathematics and applied computer sciences looking for a whole series of small gains. That’s not buy to sell that, jump in here, jump out there. So I have moderated my view on that and the other broader issue, so I don’t want to say I was an inflation truther but I was especially in the 2000s when inflation was running amok, I was pretty regularly calling out the BLS for understanding inflation.

And pillorying the Boston Commission whose sole purpose in life was to reduce the cost of living adjustments in any backhanded way they could to reduce call up increases for social security and I don’t remember if it Medicaid or Medicare. I think it was Medicare. So I’ve flipped on that and you know the way I came about changing my view on that was professor George Box who said, “All models are wrong but some are useful," and that framework allowed me to say, "Oh BLS can be wrong, all they want on employment, on inflation but it is useful to see a similar set of inputs and outputs and a certain —."

And to BLS credit, I used to get into this talking with people, "Oh inflation is widely, unemployment is wildly understated." Which unemployment? BLS does six different levels. The main one they report is U3 but if you look at U6 – I was at some conference and someone started lecturing me about U6 and not to be arrogant, I say, "Google U3 versus U6. The earliest piece you are going to find on is something I wrote 15 years ago, so please don't lecture me on U6."

If you want to include the full list of people who are unemployed, they are marginally attached, working part time, okay. So unemployment is higher but that just means where you're moving the numbers up and down the line, the shape and the angle of that line is the same. It's just whether you're going to start at 3% or 5% or 7% or 9%. So I have changed my mind about economics. I have changed my mind about BLS models. I still think they are wrong but they're useful and that was the biggest change of my mind about all of these things is really the concept that the world is complicated.

There isn't a whole lot of black and white things everything is shades of grey and that was a realization that took that long time to wrap my head around because all people talk about in politics or on Twitter or wherever is this is black. No, that is white and the real world is everything is a shade of grey and that is a very new ounce dare I say mature perspective that took me half a century to figure out.

[1:00:34.6] BF: It's a great answer and it made me think of one more question if that's okay?

[1:00:37.3] BR: Sure.

[1:00:37.8] BF: So we talk about –

[1:00:38.5] BR: By the way, I feel morally obligated that I've tied people up for two hours in my studio at Bloomberg that I can never say, "Well that is about enough," I'm like I am thousands of hours in the hole. So I need to recapture some karma points, so ask away.

[1:00:55.7] BF: Okay, thank you. We talked about small cap in value and we were just talking about changing your mind. One of the questions we get from clients sometimes, not that often but sometimes, we're in this decade of underperformance. At what point do we change our minds? At what point do we stop pursuing the small cap in value premiums?

[1:01:11.1] BR: There was just an article I liked to this morning from the CFA Institute called The Small Cap Premium is a myth and lots of people have said this. It's a liquidity, it's a risk premium, it's a liquidity premium. Here is the problem, historically the time when people make those decisions is just about when that flips. So I have a friend who runs a hedge fund and has been running a hedge fund for 40 years and he's a one man shop but he's done pretty well for himself and pretty well for his clients and he's as bear he's short most of the time so that is a huge disadvantage.

And he tells me that his best market indicator is when people start taking money away. When people say, "Listen, I like your analysis and I think you're really smart but this short trade of XYZ," and he's just not short of the market. He's short of specific stocks, which is hard to do in the markets going up and up and up even though they're maybe fraud or accounting malfeasance and sort.

Just profit collapse and he said, "When enough people take money away I just want to double down on everything because invariably that is the point where it flips." On the value side, you saw value reassert itself in Q4 2018 when the market peaked a trough, it was at 20% drop. Suddenly value starts out performing, why is that? Well the over valued stocks come down a lot. The cheap stocks find the bid and that gives you some insight into the next 25, 30, 40%, six to 18 month bare market.

Suddenly, the underperformance of value versus growth is going to get made up for and then some. Small cap, I am hard pressed to argue against the liquidity or the risk component of the small cap premium but that doesn't mean there isn't a small cap premium, it just means it is a little more complicated than lesser known smaller companies with less of a global reach. The other thing to think about it is in a world of QE [inaudible] and a world of low cost capital.

The companies who are going to best able to take advantage of that are the really large global companies for obvious reasons. They have access to capital, they have access to markets and if their business is good and they could make it better by leveraging they'll do really well. So the other part of that answer is as long as rates are relatively low, we shouldn't be terribly surprised that small caps aren't catching up the big caps. It's not that credit is anywhere near what it was in the pre-crisis days.

But if you are a publicly traded big cap company with the global market place and you are not a lot of debt and a good credit rating, you have access to infinite capital at a very low price. That is tough to beat, until suddenly rates go up or the capital availability declines. And I don't like to be a macro tourist. I don't like to dabble in that but that is a pretty rational explanation for why big caps are doing well and I am enough self-aware of my macro tourism to say, "I don't want to try and forecast when that's going to change."

In fact, I just did a blog post earlier this week about the Wall Street Journal article about – so last week, [inaudible] from Deutscher Bank, I used his chart to show the market is really bad at forecasting Fed activity. It's really not good. You could look at the Fed funds future rates and where the market thinks rates are going higher or lower and the markets are consistently wrong. Not a little wrong, mostly wrong, most of the time. So that was a really interesting chart.

This week in the Wall Street Journal, there was a chart showing expectations of interest rates by fixed income investors. Also, mostly wrong, pretty much all wrong, all the time. We just had rates dive over the past six months to the point where we're at the edge of a refinancing point where we are going to see a whole new round of refinancing for our home mortgages, everybody seems to have gotten that wrong.

So when I see that data and I know how bad people are at forecasting. And I know that you can't extrapolate what happened in the past six months into the future because there are so many intervening things that are going to happen, geopolitics, war, profits, death, you know there is so much stuff that could potentially get between you and 12 months from now, the thought of saying I want to adjust our equity holdings based on credit availability and interest rates that benefit large caps versus small caps, it's like really talk about introducing a layer of error and opportunity to make mistakes.

For what is really theoretically – it is not that value was losing money. It was just being outperformed by equity, which it's done for long periods of time in the past. So what I say to people who ask about that is, as long as rates are low maybe you shouldn't have too much of a small cap tilt. Just be aware that you are going to be late in making those changes back to small cap in value once credit tightens up and rates go up. And by the way, you may not notice this, for a year or two and by then it's too late.

So just don't even try. Just think in terms of decades and half centuries and not in terms of rotating from this style to that or this cap to that or it is a fool's errand.

[1:06:54.3] BF: Totally agree.

[1:06:55.2] CP: So I have one last question and our listeners know what it is, how do you define success in your life?

[1:07:01.5] BR: Control of your time. That is really the best way I can define it. I get up in the morning, I do what I want to do, I come to work, I work with people I want to work with. I basically, on rare occasions, have to do stuff that I don't want to do. Like I hate homework assignments and my wife has been saying for years and I am gainfully unemployed, that I would do what I am doing if I wasn't being paid for it.

So to me, that is a measure of success. The ability to do what you want to do when you want to do it to work with people you like, to have a degree of intellectual stimulation, to work with clients you like. I get emails from people all the time. I get emails from perspective clients and from clients who know my likes and dislikes and so the guys who are car guys and it's all guys so far of that or the people, which are guys and girls who are tech heads, I'll get emails from people with really interesting, "Hey did you see this?"

Now, if it is in the page three of the Wall Street Journal, I probably did but when someone sends me some esoteric IE triple E discussion of how Moore's Law has been thrown out and now we are accelerating and it's potentially capable of putting even more transistors on the path towards quantum computing, that's fascinating.

To have all of these people out there who share some of my interests, I mean how much more can you ask, really? I don't know how other people define success, just leave me alone and let me do what I want and interact with people and I want – I don't know what else to even ask for beyond that.

[1:08:52.5] CP: It’s a great answer man.

[1:08:54.3] BF: Controlling time is about the best answer you can give. That is a very good answer.

[1:08:57.6] CP: Yes, so thanks for this very, very much. You have a huge impact I know on me. I have downloaded so many books from listening to your Masters in Business Podcast. It seems like every week, I am downloading another book on my Kindle.

[1:09:07.9] BR: That’s everybody’s favorite question. There is 700,000 books published a year and nobody knows what to read. So when you get somebody who’s intelligent and talented and competent and says, “I really like this book,” I found that again, I do everything for an audience of one. The reason that question is there is if I get a Ray Dalio or Howards Marx, tell me what you read. So my dirty secret is all the books you hear recommended on the show, I audit the tape before that’s broadcast. I order all of those books.

I have thousands and thousands of unread books at home, half of whom were recommended by the show. Jim Channos recommended *World Lit Only by Fire.* I never would have found that book, otherwise it’s spectacular. I had no idea how horrific the dark – I knew they were called the dark ages for a reason. It’s blacker than I imagined. It’s horrible and more corrupt and more awful than I ever would have guessed. I never would have found that book without him.

[1:10:16.1] BF: It’s great. Thanks a lot Barry.

[1:10:17.5] CP: Thanks Barry.

[1:10:18.2] BR: My pleasure, thanks for coming in today.

[END]