EPISODE 65:
Investing Based on the Evidence Pyramid: A Few Lessons from the Medical Profession with Dr. Wendall Mascarenhas

[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.

[0:00:15.5] Cameron Passmore: This is week, 65, and something special happened for this week's episode.

[0:00:18.8] BF: Yeah, we had — one of our listeners reached out to me on Twitter and he pitched an episode idea and said that he's been listening to the podcast and he comes from a medical background, he's an oral and maxillofacial surgery resident at McGill. Lots of experience with evidence in the medical world and he wanted to come on to talk about his experience as a DIY investor and getting his head into investing through the podcast, among other resources.

But he also wanted to draw some analogues between the way that the medical field uses evidence and the way that the field of investing uses evidence which are, I think, as we all know, extremely different.

[0:00:56.8] CP: His name is Dr. Wendall Mascarenhas. Really insightful interview, he put a lot of thought and preparation into the points he wanted to contribute back to this community and he very much views it as a community. He was quite grateful and gracious in talking about the impact this has had on him. But he did do a - he did a great job outlining the impact of evidence and how they think about different levels of evidence in the medical world.

[0:01:23.4] BF: Yeah, he had the pyramid which we'll post in the show notes on the rationalreminder.ca site. The lowest level of evidence, this is how the medical community thinks about evidence, the lowest level of evidence is expert opinion which as we –

[0:01:35.9] CP: It's our world as we all know. World of investment management.

[0:01:39.5] BF: That's the whole world, expert opinion. The highest level of evidence I think, I don't have the pyramid in front of me right now, but it's meta studies of peer reviewed studies and that's like, in a recent episode, in Episode 60, we talk about the Fama and French paper, that they came up with in 2006 that really solidified the theoretical background of their five-factor model and that was a meta-study. They took all of, a bunch of peer reviewed research showing certain things to be apparently true.

They wrapped all of that up into a theoretical explanation which they then created more empirical data with. Anyway —

[0:02:14.4] CP: Anyways, Wendall, thanks for joining us very much, we appreciate it and have a listen.

[INTERVIEW]

[0:02:32.6] CP: Welcome to Episode 65 of the Rational Reminder Podcast. Today, we have a unique guest. When we first started the podcast, we had a few I guess, I'll back up. Lately we've had a lot of sort of expert financial guests when we started the podcast, we had quite a few people on who were experts in their own field and maybe they had careers in finance but were are people that we knew.

I had someone reach out to me recently on Twitter, not someone that I knew. But they had a basically a pitch for an episode idea. I thought it was pretty cool. So, Wendall, welcome to the podcast and if you can just tell our listeners a little bit about why you reached out, that would be great.

[0:03:07.8] Wendall Mascarenhas: Yeah, thanks a lot for having me. So for me coming from a non-financial background, one of the main reasons I listen to the podcast like many other listeners was to learn more about the industry and different questions, have them answered and what I realized after listening to, you know, many, many episodes was that we hadn't had a kind of a voice of the listener on the podcast yet, someone that was going through this and someone that was maybe new to do-it-yourself investing to begin with.

So I reached out, hoping that I could give kind of a listener perspective and things we go through as a new investor. But also because I realized that a lot of times, data is quoted on this podcast or evidence is brought up on this podcast and I really thought comparing how evidence is used in your industry, compared to my industry, which is healthcare, was really kind of a stark contrast and an interesting topic to discuss.

[0:03:53.7] BF: Can you just talk a little bit about yourself and what you do and why you have this not unique but you have this different perspective on evidence that the financial services industry has?

[0:04:04.9] WM: For sure. Myself, I did my undergraduate in sciences and biology and then I went and completed dental school, after that, I actually went to medical school and completed that as well and I'm currently in my last year of a surgical residency program in Montreal at McGill. For me, I have kind of grown up in a healthcare oriented family and all my education has been in kind of healthcare and we look at evidence very different from how people in the financial industry or even new investors look at evidence.

I think kind of the unique perspective I bring is, how are we using evidence to make healthcare decisions and what are the levels of evidence that we value and we look for when I'm going to change my mind about making a certain prescription difference or a surgery difference or really a healthcare decision?

[0:04:50.7] CP: Interesting. First of all, shout out to my fellow McGill grad. Let's go back. That's a fascinating setup. How did you get interested in investing?

[0:05:02.2] WM: I was introduced to investing at a young age to the Canadian Couch Potato actually, by my father. At the time, I was quite young, I didn't really grasp the importance of investing or savings or keeping – like any of the stuff that you guys talk about on a daily, on a weekly basis.

I didn't really grasp any of that and it wasn't until the past few years where I actually got married and now I'm kind of in charge of managing the investments and the finances and all of a sudden, there were all these decisions to make and I had to track these things and that's when I became a lot more interested.

The funny thing is, the first material I was ever given by my dad was the print Money Sense issue of the Canadian Couch Potato strategy by Dan Bortolotti, in 2011. I actually still have that book and last year, I went and read it again after knowing a lot more now than I had then. It's amazing how everything still applies eight years later. The only difference being the amount of ETF's we have in Canada and the array of different choices we have.

I think it's important for the listeners to know that I have no financial background whatsoever and neither does my dad, he's a family physician. We're both in healthcare, we've never taken like financial courses, seminars. I'm not saying you have to but I'm just trying to emphasize that — all of my knowledge, me particularly has come from what my dad taught me, from Ben's YouTube channel, the Canadian Couch Potato website and podcasts.

I actually watched all of Susan Daily's YouTube videos as well and of course, this podcast. You could say I'm kind of all in on the PWL educational products.

[0:06:30.7] BF: You just mentioned all those resources which obviously help push the idea of index funds but maybe from the perspective of the evidence and how you make decisions in general. How did you make the decision to proceed with the strategy of using index funds for your investments.

[0:06:46.7] WM: For me, you know, growing up with my dad and now doing index ETF's, he kind of taught me about it. So that was the first exposure I had but when he started Vanguard wasn't even in Canada, he had to go through a lot of different challenges to get to that level. He's the first one to say that he made every mistake in the book.

Whether it was picking stocks or dealing with an active manager with high cost mutual funds. Investing in financial products with the promise of huge gains, he did all these different things until he finally discovered index ETF's. The way he discovered it was kind of funny. He actually saw a book by Jack Bogle and after reading that, he said, "Wait, what's going on with this index fund, you can buy the whole market, it's lower cost." But at the time it was really complicated because you had to go through the U.S to get Vanguard funds and it was really difficult.

That’s kind of what he did. It wasn’t an overnight phenomenon. He suffered with poor investment strategies and decisions for decades before finally learning about it. So then for me, when I was approached with this knowledge and kind of when I look at the industry right now, someone’s coming to you and they’re saying, you can buy a single ETF or perhaps a few if you'd like to split it up and you can own the whole market, you can have an expected long term positive return.

You can beat 85% of active managers every year, while paying lower fees and doing absolutely nothing except maybe rebalancing once a year. For me, it’s truly mind-blowing that’s so much money is still in active management when you present it that way.

[0:08:09.7] BF: Yeah, no kidding.

[0:08:11.1] CP: So, you talk about the role that evidence plays for you and your dad, not only in your daily work but just in how you operate and think in general.

[0:08:21.0] WM: In medicine and dentistry, which is my background, we use evidence on a daily basis to make our decisions. A lot of the times, our decisions are based on what's in the literature and what's the most up to date material that we have. That means if you come to us with a common problem and there’s a lot of data or research on that, we’ll look up the literature and we’ll say, "Okay, you have an infection, this antibiotic is known to fight that infection so we’ll prescribe that antibiotic."

Now, sometimes they’ll come to us with a very unique problem or unique condition and maybe there isn’t a lot of data there. Then, that’s when you know, expert opinion or cases reports or other resources are more useful to us, to say, we’ll try this treatment out, and you’ll have to come back to us. I think the important thing to realize is why evidence is so important for us in our daily lives is that we’re held to a standard of care.

Meaning, if someone were to sue us, the court will look, did you follow the standard care, are you prescribing and practicing the most up to date medicine and dentistry based on current practices. If I’m not keeping up to date with the literature and the evidence changes, and my treatment isn’t the standard of care, I can be held liable for that.

[0:09:27.9] BF: Right.

[0:09:28.3] CP: So different from financial services where number one, no one's looking at the evidence and then as evidence – new evidence does emerge, no one's making decisions based on that. Yeah, that's very different. Now, when new evidence emerges, you just mentioned the standard of care, when new evidence emerges, how does that get incorporated into the decisions that you're making?

[0:09:49.3] WM: I think actually Ben, you mentioned in previous episodes that the stronger the evidence that you have for practice or belief or strategy, whether it's investing, healthcare. The stronger the evidence you have, the stronger the new evidence needs to be to overturn that decision making process.

The exact same thing applies to healthcare. For certain things that are common or understood really well, we have standard guidelines. Similar to how you guys kind of publish white papers to say, "This is a heavily investigated topic, here's kind of our overall recommendation," we have that in medicine and dentistry for a very common things.

When new evidence comes, it needs to be very profound. It needs to be documented and carried out in an evidence-based manner to really convince the general public that this is something we should change. I think one of my professors said it best; "If you attend the conference or a lecture and someone presents something to you and they don't quote a single piece of literature or data, you should probably just ignore everything they just told you."

[0:10:45.2] BF: Interesting because that's what everybody's – well, everybody. In most cases, when you're talking to someone in our field, they're not going to be quoting or citing any literature.

[0:10:56.4] CP: What do you think the main reason is for that? Is it because in your world, it's a life or death situation? Ours is much more subjective?

[0:11:03.2] WM: Well, I think one of the issues is people seem to think about the healthcare industry that we're making decisions based on our expertise and our experience which is definitely true but a lot of the times, our expertise and our experience comes from the literature that we've reviewed and the evidence we have. In our class is when they're teaching us things like for example, when they're teaching me how to do surgery or all our approaches, everything we do, everything we prescribed is based on evidence and trials and the literature.

It's not based on what does this particular surgeon think the best way to remove an appendix is? It's no, look, they did this trial multi-centered trial throughout the U.S, yet thousands of patients, they tried doing one way, they tried doing another way and they found hey, in this second group, patients had less pain, they went home faster and they had a greater quality of life afterwards.

This is how we're making our decisions in healthcare. Whereas, I think when people view investing, even myself, I didn't realize there were so much data you could access in the first place and I didn't realize that there was a lot of good data that proves certain trends over long periods of time.

[0:12:09.6] BF: You kind of eluded to it a minute ago but you sent me a pyramid when you pitched this episode to me, it was the different levels of evidence and you mentioned that the evidence that we generally talk about on our podcast is the highest level of evidence but can you describe the different levels of evidence?

[0:12:27.8] WM: Yeah, it's great that you're going to post it in the show notes. I think this pyramid, because I think it would help the listener kind of visualize it but I want to think of a pyramid where each level of a pyramid is a level of evidence where the top of the pyramid is the highest level of evidence, which means it's the highest level of quality and has the least amount of bias. Whereas at the bottom of the pyramid, we have evidence that is the lowest quality and has the highest amount of bias.

Now, the very top of the pyramid is called a systematic review or meta-analysis which just means you're gathering all the high quality data and analyzing it. But I want to go one wrung below that, that's the highest level of evidence you can have for a single trial or a single paper which is a randomized control trial.

I'll be using an analogy to try and explain it. Let's say a pharmaceutical company that wanted to market a new drug for anxiety and it's supposed really help reduce anxiety. When, in order to prove this, they would setup a double blinded, randomized control trial. What that would do is they would randomly allocate patients with anxiety into three groups. In the first group, they'd have patients taking the new drug and the second group they'd have patient's taking maybe the current best drug on the market and the third group, they'd have patients taking a placebo.

That's why it's random. They're randomly assigned to each group. Now, when we get to double blinded, it's important the patient doesn't know which drug they were taking and the physician evaluating them doesn't know which drug they're taking. Because you can see there's biases here. If you're a patient and you know you're in the placebo group, you're probably going to report higher levels of anxiety because you know you're not getting the medication for it.

If I'm a physician and I'm evaluating the patient that I know to be in the new drug and I'm hired by the pharmaceutical company, I might have a bias to how I report decreased levels of anxiety. This is a very high level of evidence because it's trying to remove as much bias as possible and show the results.

Now, the reason the control group is important is you always need to compare to something. Let's say the new drug reduces their anxiety by 20%, sounds pretty great. But what if that control group of the placebo people reduce your anxiety by 15% and they weren't even taking a real medication or the current gold standard reduced it by 30%. All of a sudden just by having some comparators, it doesn't sound so great anymore.

To parallel this to investing, let's say someone tells you look, follow my strategy over the past 10 years, I received 9% annualized returns. Sounds pretty great. But did they compare it to the benchmark index for example, what if that had 10% annualized returns and a lower cost? All of a sudden, by comparing things, you get higher levels of quality data and comparison.

I think it's impossible in investing to have levels of evidence that are identical because there's all these other factors that are involved. But it's just something you can strive to, some thing that is kind of an ideal thing that you can look forward to.

[0:15:11.8] BF: So interesting and I have so many questions. One I've got for you is what MD Management. We often hear that doctors make bad investor. I don't necessarily agree, we have many terrific clients who are doctors. But I've always wondered about MD Management which largely sells active products, I know they do have some index in their lineup, index funds but the largely sell active management to physicians.

I've often wondered, why would you promote such a belief system to group of people that make decision based on evidence and it's almost like they're ignoring the evidence in what they're providing you.

[0:15:47.3] CP: You can even take a one step further and why is MD promoting that? Sure, that's an interesting question but why are physicians investing with them? I mean, MD can sell whatever they want but when physicians are making decisions based on evidence, why would they invest in the actively managed funds?

[0:16:04.7] WM: Yeah, from my experience in talking to others, unfortunately, I would agree that the majority of physicians do fall in the category of poor investors. I believe the problem would be in three kind of areas. The first area is just ignorance of the evidence. As I said, even myself, before I kind of learned form you guys and other educational channels, that you guys promote, I didn't realize there were such an abundance of evidence when it came to investing.

The idea of having papers published in these landmark papers and five factor model and all these different things you guys talk about — I had no idea that existed and I think a lot of physicians would be the same.

[0:16:37.4] BF: But you guys are evidence based decision makers. What does this say about the average person in public, right?

[0:16:42.4] WM: Exactly.

[0:16:43.7] BF: If you don't have that framework, who would?

[0:16:45.2] WM: Exactly. If we can't even think of it that way, yeah, would the average investor think of it that way? I totally agree. The second area I think would be is in healthcare, you have to understand, I've gone through over a decade of school and classes and education and everything's in a hierarchy, where each year you get better and you get more trained and more comfortable, you'll learn more, you're given more responsibility.

And we really respect people that are above us in education and have been working for a long time. We know that it takes a long time to be comfortable. So for us, our whole kind of profession is based on an implicit trust. When you as a patient come to me and I ask you what's going on and you tell me, I have an implicit trust that I believe your symptoms, I believe what you're telling me and you have a trust that I'm listening to and I'm going to give you the best advice possible, based on what I know.

For us, I believe as physicians, when we go to a financial advisor at the bank which should be the place where the expert is and they tell you, "You have a lot of money? We need to protect it, we need to be conservative. We need to let it grow, we need to diversify. We need to do these things and I have these products that I use that have a long track record of success and really help you grow for retirement, for your kids."

We're going to believe that. Our natural instinct is to believe the experts. So I think when you mention MD Management, I think a physician is highly likely to believe someone that's been an advisor for 20 years or has a lot of seniority or is part of large group such as MD Management that gives them a lot of clout.

[0:18:15.7] BF: Do you think that based on your experience coming up as a new physician, what were the — prior to finding the podcast and the other things that you mentioned — where were you have been getting your information from?

[0:18:25.1] WM: This is a shocking thing is — if I haven't discovered all of this or if my dad hadn't taught me these things, the only way we have to discover things is people come to our lectures as when you are in dental school or in medical school, you have these groups come to you to talk to you about financial planning and investing but they are almost always from the bank and they are almost always promoting an active strategy.

They actually come to you when you're in school because they realize you don't really have a lot of money now. In fact, all we have is debt but they see the potential once you graduate and they want to get to you early and really talk to you when you are naïve and young and they can lock you in and go forward with you. So that would be the only exposure I would have had with these people coming as guest lectures to our school.

[0:19:09.2] CP: So from that you have chosen a path to be a do-it-yourself type investor, which we've always said is great. If someone can do it, absolutely, they should. They could save on the expenses. Now that you have done it for a while, what do you think are the keys to being a successful DIY investor?

[0:19:25.5] WM: So yeah, so preparing I was trying to think. You know I'd figured you'd ask me about being a young do-it-yourself investor. What are some tips that I can give to the listener? Because it is easy to talk about what the issues are but you have to give solutions if people are going to be able to change. So I have tried to divide and find tips that I would give someone new.

So the first one is embrace simplicity. I remember in high school and keep in mind, I am only 30 years old so high school wasn't that long ago. But you would go to the party and at the end of the night, you'd have to get a cab home. You'd then have to call the cab company, the wait on line for an hour. You would hope that they would show up and even when they showed up someone else could take it. You'd have to coordinate cash, multiple stops building with your friends, it was a nightmare at the end of the night.

And nowadays, we have something called Uber. You go on your phone, you click the button and everything is done for you in a matter of seconds. We embrace simplicity in all aspects of our lives. But for some reason, when it comes to investing, we feel the need to complicate things and if it is not complex, it means we are doing something wrong. So the first advice I would give would be embrace simplicity even if that just means buying something like [inaudible] or every single account with all of your funds. If you do that, you're at a great start.

My second tip would be ignorant is bliss. One of the toughest parts I think about becoming a do-it-yourself investor and no one talks about is there's actually a rapid transition in the acquisition of knowledge. At first, when you want to be a do-it-yourself investor, you have to learn about index mutual funds, index ETF's, taxable accounts, MER's, asset allocation, all of these different topics you have to learn about but I would argue, as soon as you learn about all of that it is actually beneficial to then turn off your brain and stop learning more.

Because the more you learn after that and the more you tune into the news or read articles or newspapers, the more likely you're going to get sidetracked from what your vision is and what you're trying to do. I remember on your podcast, you guys talked about how — I think in December of last year, there was a market correction. I think maybe you mentioned 20% and a lot of people, even index investors panicked and they sold.

But by mid-January it had recovered and I think you mentioned the past six months have been really great for returns and you guys being in the industry you would know all of this but I think my greatest accomplishment is not that I didn't panic, not that I didn't sell is that I had no idea that any of this is going on. If you don't tune in, if you don't follow this, it is not a hard decision because I actually only found out that this happened in the market because you guys said it on your podcast. I had no idea.

[0:21:51.0] CP: That's funny.

[0:21:52.9] WM: So I think ignorance is bliss. Number three is don't have a play money account. I am a strong believer that if you have a play money account, whatever's going to happen is a lose-lose, either you make money and you think you're good. You're going to do it, keep doing it or you lose all your money and then you lost money. Number four, become a do-it-yourself investor gradually. Often people try and go from active management to do it yourself investment in one foul swoop and it is really intimidating.

It is really difficult and if you think about it, you wouldn't go from sitting on your couch to running a marathon in a day, it takes time. So I like to think of it as a spectrum where you have active high cost mutual funds on one side and do it yourself on the other side in the purest sense. But then you have financial advisors. You have robo-advisors, you don't need to do it all in one step. You should take your time, I think it is not something you should rush into.

Finally, tip number five is to talk to someone before making big decisions. I think a good habit is never to make impulse decisions. It used to be where if you had a question about investing, you could only talk to your family, your friends or your financial advisor and maybe they wouldn't have the same goals, the same minds as you but now with things like this podcast, with Common Sense Investing on YouTube, I think if you just have a question, you should just go on the channel and ask it.

And either one of you two will answer or another listener will answer and they will just give you a link to a video or an article and instantly your question will be answered and maybe you will realize, "Hey, maybe I don't need to spread my investments over the entire year per dollar cost averaging. Maybe the statistics show it is better to just put it on as a lump sum."

[0:23:20.2] BF: You know one of the most amazing things that I found about mostly the YouTube channel because that is where there are so many comments, a lot of times someone will ask a really good question and I won't even answer it. But somebody else on the channel will give like you said a great answer or they will post a link and it is like, "That is pretty cool," that there are people who have their heads in this stuff enough. That I don't even have to answer the question a lot of the time.

[0:23:40.5] WM: Exactly and I think that the YouTube channels is at a good size right now where it's got great viewership but also it's got a community where people are helping each other and I think it is really important as do-it-yourself investors or people in your industry that were supportive of each that we can't judge each other because all of us were ignorant of this at one point and you can't blame. I would never have known about any of this if I hadn't discovered these educational products for myself.

[0:24:03.5] BF: So what we talked about or you talked about simplicity and I agree. Simplicity is super important and as much as I love VGrow and I do, I think it's great for a lot of people, we have obviously published our Rational Reminder model ETF portfolios, which include IGS and IUS fee to get some small cap and value and a little bit of profitability exposure. What do you think about getting factor exposure as a do-it-yourself investor and are you doing that?

[0:24:29.0] WM: So this was one of the things that was kind of mentioned in my part of how I feel like you kind of need to transition your knowledge at one point. I did find when I started listening to your podcast, I had never heard of factors before and I found you guys were educating us — I mean at first, you're just talking about factors all the time and I think you guys got some feedback that hey, people might not know what factors are except for your clients.

So then I know that you guys did a couple of episodes where you actually finally explained. We're are still waiting on the Ben explains to his mom what factors are episode. But you guys had a previous episode probably like three episodes where you really went down and explained exactly what they were and this is one of those examples where I felt like it actually kind of hurt me in the sense that I started going crazy about factors in my mind because I am currently not doing any of that.

And I started thinking I am lagging behind. I am only 30, when I am 60 I am going to look back and regret, "Wow I never did factors, I never did small cap, I never did value," and I was going into the weeds with this and I was actually talking with one of my friends about it who is also a new do-it-yourself investor and it helped to talk to him because he said, "Listen, they have proven to you with this data that these are good things. They have shown to you what you have to do to capture those factors, those premium benefits. Are you willing to do those things?"

And it took me – I am not going to lie, it took me a long time but eventually I decided, I value the simplicity of just buying one thing with all of my investments once a year and not thinking about it, versus multiple ETF's to try and capture those factors.

[0:25:52.6] BF: Yeah, I think that makes a lot of sense. Well along a similar line of discussion just the complexity versus simplicity, how do you think – so you are a do-it-yourself investor, which is great and there is a whole community of do it yourself investors around the content that we product but we also have a lot of clients who pay for financial advice and you also mentioned earlier or it might have been in your original message that you see a lot of people around you who are not doing a good job or even any job as a do-it-yourself investors.

So how do you think about it and how do you think your peers think about the role of financial advice?

[0:26:22.7] WM: So I think it is really important for people to realize that financial advice is not an evil product that you need to avoid at all cost once you become a do-it-yourself investor I think financial advice is a really useful service that you should use when you need it and not use when you don't need it. I like to make the analogy of going to the gym. All of us can buy a gym membership and say, "I know what I need to do to stay in shape."

“I need to go three to four times a week. I need to work hard while I am there and I need to do a variety of cardio, weight lifting. I can print out routines online. Everything is available on the internet and YouTube videos." But the reality is are you going to be disciplined enough to go to the gym, three to four times a week, work as hard as you can and do it on a consistent basis over the long run.

Yes, hiring a personal trainer is really expensive. But if it forces you to go there, if it forces you to work hard, if it helps you achieve your goals, does it really matter that it was more expensive? People need to realize that the goal in investing is to meet your goals. So if you need financial advice or if you have questions, I think it’s a great service to use and I think people that are new, as I said you should do this gradually, I think if you sign up with a financial advisor and you do it on a short term basis for five years for example and it helps get your finances in order.

It helps you understand the market, it helps you understand behavioral aspects of finance and then you transition to do doing it yourself later on, there is no problem with that. I think that financial advice is really useful helping bridge that gap of uncertainty.

[0:27:52.7] CP: Absolutely, interesting. So our industry is quite famous for putting together all kinds of studies to show the value of great advice and behavior modification and this so called behavior gap, which is the average investor greatly lags even the performance of index funds, therefore when you have an advisor you adhere to your plan better and have a higher expect of returns compared to your peers.

I am curious, in your DIY world, what do you do or have you done anything specifically to ensure good behavior and adherence to your plan?

[0:28:23.1] WM: So I haven’t done anything as of yet because first of all, I am young in my career. One of the things I have learned from you guys is that when you talk about 10 years that is a short period of time. That is not a long period of time and I think that is a new concept to a lot of people. If someone says, “Oh I have been doing it for 10 years and it’s worked.” You’re like, “Oh great that is only 10 years. That doesn’t mean anything.”

So for me, what I've set up is every year, I have a date in the summer, July 1st and that is my rebalancing date and I just go on July fir 1st, as I said, I don't check what the market is. I have no idea what is going on in the world when it comes to finance where the stock market or bonds or GIC's. I go on July 1st and I used to have to just rebalance on that day. But now that I have switched to the asset allocation ETF's, now I just go, I look at what I have saved and I am putting towards that and I just make a onetime purchase or a discount brokerage.

So I know what you are mentioning as far as people that they say pay yourself first by putting savings aside or doing regular contributions. Because I am doing an index ETF, it is better to just do one lump sum investing versus frequent purchasing and incurring like a trading cost but for me it is just July 1st. Every summer that is just a date that I do everything.

[0:29:33.5] BF: If you have the cash available, you want a dollar cost average, especially for ETF's buys right?

[0:29:37.7] WM: Yeah. It didn't cost anything, I would do it maybe once a month like for we're doing it more frequently.

[0:29:42.4] BF: Aren't there like [inaudible] free ETF buys, right?

[0:29:45.2] WM: Yep, they do. I am currently with the discount brokerage at my bank just to keep it simpler and there is just the dollar fee.

[0:29:51.9] BF: Okay, interesting. Got it. Okay so, you talked a little bit about — we talked a lot about evidence I mean we talked about how people in Canada specifically aren't really embracing the evidence.

So there is this massive body of evidence, which you are now familiar with, which suggest that there is an intelligent way that most people should be investing. If there is something that's sweeping in the medical community, how would that information be disseminated across the community?

[0:30:16.0] WM: So the way we usually get most of our evidence is journals and conferences. So in medicine and dentistry, there is what's called a continuing education requirement. In order to maintain your license, with the licensing body, you have to do a certain amount of credits or gain a certain amount of credits in continuing education per year. Which means that if you are not attending conferences or doing journal clubs or study clubs, you could actually lose your license.

So for me, one of the easiest ways if you attend a review conference or the National Meeting Conference for example in Canada, they have experts in each kind of sub-specialty that present new evidence, present their approach and as I said, some people present a lot of evidence, some people don't. So you still have to take everything with a grain of salt but that is usually the number one way it is disseminated and obviously, we have some very reputable journals.

In medicine there is very high impact factor journals. There is low impact factor journals. So if you subscribe to those journals, you are able to look at the most cutting edge research and all the updates coming out through that. If it is something major like ground breaking, it is something that the national association for example the Canadian Medical Association and Dental Association, they will call this on their website you know a white paper or a new guideline. A new addition to the guidelines, things like that that will be published on a major kind of national scale.

[0:31:34.9] BF: So it is just so different from our industry where we have continuing education requirements too. But you can get through a cycle of continuing education probably without seeing a single academic paper sighted. Do you agree Cameron?

[0:31:46.6] CP: Oh 100 percent.

[0:31:48.0] BF: Like you could even go through a cycle of continuing education where you might be learning about how to predict the market, like how to time the market.

[0:31:54.7] WM: Yeah, so the other funny thing is when we talked about a pyramid, I like to focus on the top of the pyramid just to give everyone kind of an idea of what's at the top. I think it is important just to briefly mention what is at the bottom of the pyramid. So the lowest quality of evidence you have in medicine and the highest risk of bias is what is called editorials or expert opinion. So just think about that for a second.

If you are reading the newspaper or you are watching TV or your best friend is telling you at a party what is going on. And they are giving their expert opinion that is without any data, without any research, that is a lowest level of evidence available. And I think when it comes to investing, a lot of people have that opinion where a lot of it is based on expert opinion or what they see on TV and that is considered the lowest level of evidence as far as I am concerned and as far as the medical community is concerned.

[0:32:43.5] CP: That is incredible.

[0:32:44.3] BF: As we have talking about through this discussion that is probably how most people are getting, consuming their investment advice is through expert opinion.

[0:32:51.4] CP: And most questions that we’ve had recently are based on the inverted yield curve and the fear of recession, which is in all the newspapers.

[0:32:57.2] BF: It’s crazy, you know we talked about it this, Cameron and I talked about this on a recent podcast episode but one of the things that I found amazing about when people are talking about the YouTube channel that we have created, one of reasons people are saying that they like it is because it is what we are actually citing literature and there is a ton of investing content on YouTube but it is all expert opinion.

[0:33:18.8] WM: Yeah and I was going to say, I can already hear maybe some listeners screaming out there at their headsets, “Wait, but this guy is saying expert opinion is useless then why does he support the podcast? Why does he support this YouTube channels? Isn’t there kind of a hypocrisy there?”

But I think it is important to distinguish between the expert opinion and a statement of facts or educational instruction. For regular viewers or regular listeners of the podcast but also regular viewers of your channel, Common Sense Investing, you’re not giving your opinion based on what you think or what you want people to do. It is, "Hey, this is a question, let’s look at the data and this is what the data says." You are more instructing people as to what the data is, rather than giving your own opinion. So if someone – you know if you are at a party and someone is giving you an opinion on something.

Versus telling you about data, what the data is showing, you need to make that distinction and I think that is one of the hardest parts about being a do-it-yourself investor is you are never going to have a good story at the party. You have to accept your never going to be the guy that was a bitcoin millionaire. You missed the weed stock bubble or whatever that was. You never beat the market, you didn't buy Apple low and sell high.

You just have to accept that and even for me, it is hard to accept that from an egocentric point of view, you have to realize you are never going to meet that guy at the party. You need to tune that off right away.

[0:34:35.7] BF: Listen, this is like a problem for me at home. Because my wife and I can never have a discussion because as soon as it gets to opinion, which most conversations do I am like, "Hold on, hold on, neither any of us have an idea of what we are talking about. We need to go find some literature on this." Closes the conversation pretty quickly.

[0:34:51.5] CP: Window into the world of Ben. As a regular listener, you know what my last question usually is. So I am super curious, as someone who is clearly on a mission, you are very well-educated and you are up to big things in your life, how do you define success professionally, personally, whichever way you want to look at that question?

[0:35:13.9] WM: Yeah, so for me when you guys graciously accepted me to come on, I was hoping you'd ask this question because you pretty much ask all your guests this question and to be honest from my perspective, working in a hospital every day, I realized that success is really just having good health. It is amazing that we're all so focused on this little minute problems, MER is a point three versus a point two, how can we optimize as a location and things like that as a do-it-yourself investors.

But at the end of the day, all you can hope for is good health for you and your loved ones. As Robert Downey Jr. said whilst playing Iron Man, all the money in the world never bought a second of time.

[0:35:51.0] BF: Good answer.

[0:35:52.9] CP: That is a very good answer.

[0:35:54.2] WM: And I think I'd be remised if I didn't say, you know as a listener, the first listener on this show, I wanted to thank both of you from all the listeners that haven't been able to thank you. I think it's really amazing what you guys do as an educational product and you guys are doing this out of the kindness of your heart and for free and we definitely look forward to it each week.

[0:36:10.2] BF: Careful, we might start charging people.

[0:36:13.9] CP: I think we have already said we'll never do that.

[0:36:17.2] BF: Oh, well whoops. All right, Wendall I appreciate you getting in touch. Like I said at the beginning of the show, you sent me a message on Twitter with a pitch for an episode idea and it was all about evidence in difference levels of evidence and drawing analogues between the medical community and the investing community, which I thought was fascinating and I do think it was a great discussion. So thanks a lot for getting in touch and thanks for coming on.

[0:36:36.5] WM: Thanks a lot, I appreciate it.

[0:36:37.9] CP: Yeah thanks Wendall. It was really great meeting you and interviewing you and sharing your thoughts with everyone and everyone thanks for listening.

[END]