Alex Lieberman (00:00):

Hey everyone. I'm Alex Lieberman, Co-Founder and Executive Chairman of Morning Brew. This is season three of Fresh Invest, your favorite investing podcast sponsored by Fidelity Investments and powered by Morning Brew. Throughout this season, we've been focused on getting you the answers that can help you navigate uncertain markets and build financial confidence. We've covered topics ranging from passive income to crypto, all based on insights from the Fresh Invest community. Before kicking off this season, we pulled our listeners to get a real sense of the financial topics, concerns and questions that are top of mind during these turbulent times. We heard you and now eight episodes later, here we are.

(00:41):

Today's episode is an extra special one. It's the last one of the season and we are going out with a bang, coming to you from our brand new Morning Brew HQ here in Manhattan. I'm joined IRL by John Gagliardi, regional brokerage consultant at Fidelity and a seasoned fresh Invest veteran. John has made an appearance on each season of Fresh Invest so far, including in season two when he came on and dropped knowledge on all things SPACs. Together we're answering some of the thoughtful, important audience questions that we haven't gotten to yet this season, and these questions touch on a variety of important topics from retirement planning to over diversification.

(01:21):

But before we get to the listener questions, we're going to quickly run through some of the biggest learnings from this season. This was honestly so hard to narrow down because we've heard so many valuable gems and actionable insights from our Fidelity guests over the past couple of months. Up until now, we've covered all the important micro level details about some of the most relevant financial topics at the moment. If you haven't kept up with the previous episodes from this season, head on over to fidelity.com/freshinvest to get caught up. And if you have been tuning in all season, we've got an exciting opportunity for you. You can test your Fresh Invest season three knowledge for a chance to win $500. To play, go to podcast.freshinvest.site, answer questions about the topics we covered this season and send in your results. Good luck, guys.

(02:10):

Now, it's time to take a look at this season's learnings and takeaways, so let's get into it. John, welcome back. You've completed the Triple Crown of Fresh Invest guest.

John Gagliardi (02:20):

Great to be here.

Alex Lieberman (02:21):

And we're here in Brew HQ in real life to cap off the season. You ready to do this thing?

John Gagliardi (02:27):

Absolutely.

Alex Lieberman (02:28):

So last time we met during season two and it was episode five, I remember that you said you enjoy long walks on the beach and when stocks go up. Is that still the case?

John Gagliardi (02:37):

Yes on both accounts and I could tell you as a guy from the Jersey Shore, summer might be over, but I can tell you going down to the beach when no one else is there can be kind of rewarding all by itself.

Alex Lieberman (02:48):

I love it. Well, for people who didn't listen to season one or season two of Fresh Invest, do you mind just introducing yourself to the crowd?

John Gagliardi (02:54):

Sure. My name is John Gagliardi. I work at Fidelity Investments as a Regional Vice President of Brokerage, Regional Brokerage Consultant, and in my role, I help investors who are looking to do it on their own. And that might mean not every person that walks in has a pedigree from a Wall Street brokerage firm. So I help get them all the tools and research to make them better at doing it themselves.

Alex Lieberman (03:19):

Love it. So looking back at all of the learnings that we covered this season, they all strike this balance of discussing the current economic situation while also being abstracted to topics that are really evergreen and timeless in nature. And so before we discuss listeners' questions, I would love for us to take a listen and hear what past guests had to say. Let's do it.

John Gagliardi (03:41):

Let's do it.

Alex Lieberman (03:42):

So right out of the gate in episode one, we learned about the importance of having a financial plan, sticking to it and evaluating your plan as things change in the market. So let's take a listen.

Jurrien Timmer (03:53):

Market timing is so, so difficult, and so having that right asset mix, sticking through it, hopefully if it's a younger audience, doing dollar cost averaging through like a 401K or 403B. I mean, that's another piece of math magic, just because you're never buying the top, you're never buying the bottom, you're just putting in a little bit of money every month and then rebalancing as needed. So we all have to rebalance our portfolios for maybe it's something you do once a year or four times a year.

Alex Lieberman (04:27):

And then in episode two, we dove into emergency funds, how to set them up and the impact it can have on a retail investor's confidence. So let's take a listen.

Leanna Devinney (04:37):

And the general point of view we speak to is having three to six months of your essential expenses in a high yield savings account that's accessible, flexible and liquid. And having that rainy day fund really removes the emotional pressure that we can feel when there's market volatility for the other investments that we have, so that your intermediate term goals or long-term goals that's invested, you can feel confident in having that diversified strategy aligned to that specific goal knowing that you have the flexibility and rainy day fund if something comes up.

Alex Lieberman (05:14):

And then in episode three, we learned the importance of diversifying your income as well as your saving strategies, and then constantly reevaluating these strategies based on what's happening in the market. So let's take a listen.

Meredith Stoddard (05:26):

Take a step back and assess your strategy at least once a year, ideally a few times a year. Make sure you're clear on what your goals are. What's your risk tolerance? How do you want to spend your time? And then readjust accordingly, because as things change, your goals are going to change and you want to be able to be nimble and have a good sense of where you are and where you're trying to go.

Alex Lieberman (05:45):

The topic of passive income is so hot right now. Obviously passive income strategies have been around for so long, but there's a ton of innovation that's happening in this space. And so in episode four, we talk about how to do the right level of due diligence and make smart decisions when it comes to using different passive income tools. So let's hear our guest on that one.

Jonathan Lord (06:03):

It can feel really tempting to kind of chase into some of these newer higher yields, so we just need to make sure we're weighing some of that risk along the way. Longer term, you need to be keeping an eye on these things and focusing on them. It should kind of feel like watching paint dry. It shouldn't be exciting, get rich quick type strategies. It's going to be slow. But at the same time, you should be actively looking at these things. So it's a passive investment, but you also need to be active in terms of being often looking at researching, doing that due diligence all the way through and even after you've entered into that investment.

Alex Lieberman (06:36):

Now, episode five was all about thematic investing. And with thematic investing, it's all about investing in long term trends as opposed to specific companies or sectors within the market.

Lubna Lundy (06:47):

Ultimately, you're trying to capture potential opportunities that are created by the impact of economic, technological and social changes. And what's nice is that thematic investing strategies show up so much in our everyday world and may extend to our long term beliefs and values. So over the years, we've seen a shift towards people looking to capitalize on trends that they think may impact the world, the future, as well as their bottom line.

Alex Lieberman (07:15):

Now, direct indexing isn't what it used to be and in episode six we talked about the innovation that's happened in direct indexing and how it's become more accessible to retail investors.

Joshua Krugman (07:26):

With fractional share trading and commission-free investing, it has enabled us to bring these capabilities to a much broader set of retail investors. By directly owning and investing in the stocks of an underlying index or theme, you can achieve much greater personalization by filtering out companies that don't align to your values or strategies or interests.

Alex Lieberman (07:47):

Episode seven was all about the C word, crypto, and as we discuss, the only predictability in crypto is volatility. Let's have a listen.

Jack Neureuter (07:57):

If this asset class went straight up and to the right, then there's something wrong. Risk should be correlated with return if we have rational financial markets. And so expecting volatility, and then of course, as a result of expecting volatility, position sizing it appropriately in portfolios, and then again, doing your own research and not holding super strong beliefs that can never change. This is a dynamic space that is sort of constantly changing and I think being stuck in one certain way of thinking. I know I myself entered the space with one lens on the digital asset ecosystem and it has sort of evolved and transformed in many ways just from keeping an open mind and listening to people with sort of different voices all across the space and doing my own research.

Alex Lieberman (08:47):

Episode eight was crypto part two and we went further down the rabbit hole discussing regulation in crypto, what the implications are of that, but really the learning from this whole episode was that it doesn't seem like crypto's going anywhere. So let's have a listen.

Chris Kuiper (09:02):

If this whole thing were what some people still think is a big Ponzi scheme, there's nothing here, crypto is not here to stay, if that were true, if it were all a house of cards, there'd be nothing to regulate. Regulators wouldn't care. It would go away. But the fact that it keeps coming up and we have multiple bills being worked on, one of them is for a de minimis amount. So if you buy a cup of coffee, a certain transaction under a few hundred dollars, you don't have to calculate your taxes. That's in the works. It's not law yet, so don't think that's a law yet. But the fact that we're talking about all this means that to me, it's here to stay. Lawmakers are talking about it, they're talking about regulation. There's obviously something of value to regulate. And so hopefully we'll get more clarity, but in the meantime, we'll continue to just watch and wait.

Alex Lieberman (09:51):

It is incredible to reflect on all of these valuable lessons we've learned from this season. Whether you put these things to work today with your portfolio or you use them to compound on your investing knowledge moving forward, there is so much valuable information from this whole season for the current economic client, but also for the investor that you want to be 20 years from now. All right, it's time to dive into listener questions. John, we have gotten hundreds of questions from Fresh Invest listeners over season three and while we've answered one or two in past episodes, there are still so many good questions to answer. So I would love to do that now. Ready to dive in?

John Gagliardi (10:25):

Bring it on.

Alex Lieberman (10:26):

Okay. What are your thoughts on buying the dip?

John Gagliardi (10:29):

Ah, the 800 pound gorilla in the room. Let's talk about it. So when people are talking about this, we really have to figure out what are they really talking about on this? Is it the S&P? Because the S&P 500, you have to really think about this in a logical way. It's never going away. Yes, it's down 25, it could even go down 30%, but this is the opportunity that every client has been begging me for. They kept saying all the way while the market was going up, "if only there were a pullback," and here is that opportunity here, is that pullback Now, it's never pretty whenever there's a pullback, but that's what it is.

(11:07):

Now, the idea of this, I like to tell this story about my sweet mother, I started getting her involved and got her invested and she said, "But John, I don't want to lose all my money." I said, "All right, let's unpack that." The idea of that can sound crazy, but it can't happen. Let's talk about the 500 biggest companies in America. We're talking about Apple, Microsoft, Google, Berkshire Hathaway, JP Morgan Chase, United Healthcare, Johnson and Johnson, just to name of few, and there's another 490 some odd names behind that, if all those companies go bankrupt at the same time, you won't have to worry about money. There won't be any. So once we get beyond that... and even my mother at 85 years old said, "Okay, you're right. I'm probably over exaggerating and you're right, it's silly to even think that could happen." And once people move beyond that, they could start to think about this logically and make a logical decision and have a plan.

Alex Lieberman (12:02):

Like you mentioned with your 85 year old mother. It can be really daunting to get involved in the markets and especially at a time right now where there's a lot of volatility, there's a lot of uncertainty. And so what would be your recommendation for new investors who are trying to dip their toes in the market right now?

John Gagliardi (12:19):

Well, diversification is a good thing and we are really talking about ETFs and mutual funds. ETFs and mutual funds are great ways to buy baskets or portfolios of stocks, bonds or commodities and to do it in a diversified way. So the good thing about ETFs and mutual funds is that they're simple, they're efficient, but I do warn all of our investors not to overlap. And that's where diversification could get tricky. You might have a tech fund, you might also invest in the S&P in the Nasdaq, and then you have to question, how many times have I done tech here? Have I overdone tech? So that is one thing to be weary of. And then my favorite part of this asset class is the cost. You can buy these things at potentially very low cost.

Alex Lieberman (13:07):

Okay, let's talk about taxes. So let's say I'm an investor who has invested in the markets, whether it be through mutual funds or in single name stock, I've made some money in it now and I'm thinking about how do I minimize the capital gains tax that I pay on the investments? How should an investor be thinking about that?

John Gagliardi (13:27):

Okay, so first, let's let the audience know what are capital gains? And very simply, this is the money you owe the government after you've had a successful run investing in stocks, bonds, ETFs, whatever it is when you sell. If you never sell, you don't pay, but once you sell, you have to pay capital gains. And let me start by saying I am completely unqualified to give any tax advice and I am not giving any tax advice at all, but I got a really good story if you want to hear it.

Alex Lieberman (13:56):

Let's hear it.

John Gagliardi (13:56):

Okay. So client walks into the office, says, "John, I have this really difficult problem." I said, "All right, well what's the problem?" And he says, "I bought Starbucks stock some years ago, It's done fantastic. It's now worth $3 million and I bought it for a dollar share." I said, "Well, that sounds like a terrible problem." And he said, "No, it's a high class problem, but it's a real problem." I said, "Let me guess, you don't want to pay the taxes?" Knew exactly where I was going with that and I said, "Well, there's really no choice. Well, you do have two choices, but you're not going to like either of the choices, and in both choices, you will pay less in taxes." He said, "Well, okay, I want to hear it. I don't care about the consequence. Let's hear it." And I said, "Well, choice number one, you could watch the Starbucks stock drop down in half and then sell it and you'll only owe half the taxes."And he did the math of his head, he said, "But then I only keep a million dollars instead of two." I said, "I told you you wouldn't like it." I said, "You want to hear the second choice?" He said, "I can't wait to hear this one." I said, "Second choice is you have to die and then you pay no taxes." He said, "What do you mean?" And I had to explain there's a step up clause in the tax code that says when you die, not if, but when, when you die, you will hand over those assets to your heirs, whether it be a charity, your children so forth, and they will pay no taxes, there's no capital gain for them, they get a step up and then you're not paying any taxes at all. And we laughed about it a little bit because he realized that there really is no right answer. The right answer is there's no right answer. You do have to pay taxes if you sell.

(15:29):

So it is okay to have a strategy to do all of the above. There's nothing wrong with selling some today. There's nothing wrong with putting in a stop loss should the long term trend break and you want to sell some and not have a bigger potential downside and of course, you could always hold some, buy and hold forever, that you do plan to give to your heirs and you will get the step up. So there are all of these potential strategies, but there really is no right answer.

Alex Lieberman (15:57):

Awesome. There's always a lot of talk around diversification. I would say the general rule of thumb for investors is that diversification is a good thing and especially in an inflationary environment, which we're in right now, experts will say that a good head for inflation is diversification. But for the retail investor who's wondering what is a good amount of diversification versus let's call it over diversification, how should they be thinking about it?

John Gagliardi (16:23):

So diversification is always a good thing and this is where having a right mix of ETFs or mutual funds can really come into play. Now, ETFs or mutual funds will give you baskets of stocks or bonds or other ideas and you can put that all into one portfolio. So you can have the S&P 500 as a core holding and then if you're looking to beat the market, you can try several sectors. There's 11 sectors to choose from. Try to choose the best three for the year as a short term vehicle. Or you can look at this as a wide range of things from stocks, commodities, bonds, there's really no shortage of various ways to put together a portfolio and get that diversification. One thing I would say to be weary of as a trap is don't overlap. So tech is a great example. Tech is very heavy right now in all the major indexes, whether it's the S&P 500 or the Nasdaq 100, but if you own those plus a tech fund and other tech things, how many times might you be owning tech? You might be concentrating your portfolio more than you think.

Alex Lieberman (17:28):

Yeah. Now I want to talk about a specific part of our audience, which is are listeners that either have just started families or are thinking about starting families. You can even guide this advice of me, because my guess is over the next number of years I'll be thinking about starting a family. It is a huge financial responsibility to have children and start a family. How should listeners be thinking about getting ahead and building up investments for their children? What would your advice be?

John Gagliardi (17:57):

Well, first, let me say congratulations to all the new mamas and papas and new families out there, and I have four kids myself. So you are doing a good thing and just thinking about this, this really says that you're in the right place. So when it comes to this, there are lots of choices. So think about first, what are the goals for the money? So if the goal for the money is college, you're probably looking at a 529. 529s are built specifically for people going to college. So you can not only watch the assets grow tax free, but when you deploy them, they're also tax free, but they have to be used for college.

(18:35):

There are other choices though. You could use UGMA or UTMA, which is Uniform Gift to Minors Act or Uniform Transfer to Minors. Now the thing about those type of accounts, you have to be aware that these are gifts. Once you give the gift, the gift belongs to the minor, it no longer belongs to you, but you are acting as custodian. So you have to act in good faith and be prudent and do your fiduciary responsibility in being safe with those assets. So there are really no shortage of these type of accounts and Fidelity has actually introduced a newer one, a youth account, where this is ideal for the 13 to 17 year old where they're not quite old enough to manage an account fully on their own, but with the guidance of an adult, they open an account and then they get to decide what to buy and when to buy it. Kind of my wheelhouse. But at 13 to 17 years old, that's a fantastic way to start to learn how to manage your assets yourself.

Alex Lieberman (19:30):

I love it. Let's talk about investors who haven't had the good fortune of listening to Fresh Invest for their entire life. So they haven't initially been proactive about their investing and now they feel like they're late in the game of investing as well as building up for retirement. What would your recommendation be for them?

John Gagliardi (19:46):

That's a great question. So for some of our seniors in the audience that are thinking about this and they're concerned that, "Have I missed too much time? Is it too late?" It is never too late. The first thing that you could do is you could look for, there's all these catch up clauses in the tax code specifically for folks to catch up and they could start investing more. But beyond that, go to fidelity.com. There's all of these great resources there where you can put in your age, how much you're investing, and how much will you really need to retire. Now, besides that, there's the 401k. The 401k is a great way to save and max it out. And if you can't afford to max it out, go to your HR department. They're going to be very helpful. There's probably a company match and you should absolutely get that. You might be leaving free money on the table. So talk to your employer.

Alex Lieberman (20:35):

Okay, one more question for you about retirement. How should investors be thinking about saving for retirement when there are all these new asset classes out there, like REITs, Crypto, NFTS?

John Gagliardi (20:48):

Well, the good news about retirement is the basic fundamentals have really never changed. So the core principles, you should save be saving about 15% toward your retirement in your day to day taking out of what's coming in. The second part is you should be saving about 10 times your salary by the time you're 67, you should have amassed that much. So you have to imagine that you'll be using about 45% of that nest egg to help you retire over time as you unwind those savings and the other 65% may come from social security.

Alex Lieberman (21:21):

Let's finish off with crypto because that's what the listeners want. What advice do you have for long term crypto investors?

John Gagliardi (21:29):

Educate yourself, educate yourself, educate yourself. This is a changing and evolving asset class. It changes constantly. So make sure you're getting your educational information from a trusted source, like fidelity.com. If you're on fidelity.com, simply type in crypto. And right now you'll see things about Bitcoin 101, that's what we have today, but we are building out a fantastic, very wide variety educational resource for the crypto investor, both from a standpoint about learning about crypto, how to invest, various different ways to get invested, and some of the more technical questions about crypto, because this is a very involved asset class.

Alex Lieberman (22:09):

John Gagliardi, thank you so much for answering all of our listeners' questions and congrats on completing the Triple Crown for Fresh Invest.

John Gagliardi (22:16):

It was great to be here.

Alex Lieberman (22:18):

Thank you so much for tuning in to the season three finale of Fresh Invest. This was such a unique, important season and I am so glad we were able to close it out on camera, in real life, in our beautiful new HQ in New York City. I hope the learnings we shared today help you feel more confident and knowledgeable as an investor. This season was very much a reflection of the economic time period we're in right now. It's very uncertain with a lot to unpack. Volatile markets can cause some pretty serious investor fatigue, and I hope the learnings that we shared this season have helped temper those feelings. Times like this remind us that the more better you can feel about your finances. That means knowing you're short and long-term goals, knowing your plan and knowing how to stick to that plan.

And on a broader level, knowing what's going on in the market and how it can impact your financial plan.

(23:10):

If you haven't yet listened to this season in full, go ahead and check out the episodes that led us to this point. Regardless of how much investing experience you have or what strategies you employ, the insights we gathered are pertinent across the board. Thank you all so much for joining me on another awesome season of Fresh Invest. I've had so much fun chatting with our friends at Fidelity and wish you all the best of luck in the markets. Just remember, it's a marathon, not a sprint.

Dollar cost averaging does not assure a profit or protect against loss in declining markets. For the strategy to be effective, you must continue to purchase shares in both market ups and downs.