

**EPISODE 122**

[INTRODUCTION]

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**FT:** Welcome back to So Money everyone. This is Farnoosh Torabi. Very excited to introduce our guest today. His name is Todd Tresidder. He is our second guest on So Money to retire in just his 30's. The first one was Mr. Money Moustache, a wildly popular episode. Check it out, episode 38. Todd is a former investment hedge fund manager, turned financial blogger and money coach. He went from debt to financial freedom in 12 years, and then supported his family just from assets without any significant earned income for years. He raised his net worth from less than zero in his 20's, to millions a decade later using the same personal finance and investment strategies that he shares on his website, financialmentor.com. Todd is still an active investor today. He earns a consistent investment return in both up and down markets. He is a true lifestyle entrepreneur, and as he says, the classic millionaire next door. He doesn't drive flashy cars or wear expensive clothing, but he does take great, great vacations. We're gonna talk about that. Also, we're gonna talk about why he recommends not hiring a financial advisor, his philosophy that we should make decisions emotionally but support them rationally, and (this is great) his step-by-step advice for first time investors. A lot of you writing in wanting to know how to get started with the stock market, how to invest wisely, and Todd has some really important takeaways for us.

Here is Todd Tresidder.

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[INTERVIEW]

**FT:** Todd Tresidder, welcome to So Money. A pleasure to have you on the show.

**TT:** Thanks for having me.

**FT:** So, we have actually connected. Now it's been about a year. You had me on your podcast when my book came out *When She Makes More* last year and the podcast actually just aired recently and everyone check it out. Go to [Financialmentor.com](http://Financialmentor.com).

On that site, Todd, I was roaming your site and stalking you a little bit before this interview. I know a lot about you but I wanted to really prepare better for this interview. I'd love to start with your mentioning on your site that what you really did that differentiates you from a lot of other "financial experts" out there, is that you teach the pursuit of financial freedom as a transformational path. I want to first begin with focusing on that word, "transformational." That's your competitive advantage, that's where you really allow your followers, your readers – and you have tens of thousands on your site – to really go from good to great.

And it comes from a personal experience. You had a transformational journey yourself. What was that journey? If we could maybe go back a little bit in time and have our listeners understand how you became the financial mentor that you are today. What was that journey like for you?

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**TT:** It's funny when you bring up transformational journey. It's layers. It's like, which layer do you want me to describe? Because the way I characterize it is it works in cycles. As you go through a cycle and you get stuck in a cycle, if you will, or a certain level, and then you break through that, and all you do is move to the next cycle, and then you get stuck in that cycle for a while until you break through it and move on to the next one. So, it's a life-long journey.

But to actually answer your question, I think the one that's most characteristic was when I was building wealth as a hedge fund manager and I told a story about how we sold the company and I was "financially independent" or retired at age 35. I lived at Lake Tahoe at the time and I'm driving over the mountains and I had an assistant. She lived down the Carson Valley and I'm going over what's called Spooner Summit, and you're looking out over the Carson Valley, and we just sold the company, big life change, I was going to be getting married, we're going to head off on a world tour for our honeymoon where we're just going to back pack around the world for a while.

I literally and figuratively I was on top of the world because I was crusting this mountain and that was a peek, then it was all downhill from there. Because we have this vision of what financial independence is. It's like being on a hammock and drinking a Mai Tai. But in fact, I learned it was something very different. That was one evolution of the transformation. I could go on and on with many more. It's been a journey of growth and that's been the huge value of it. What I'd like to say is that the money is the carrot. Like we put the carrot in front of the horse to drop forward. The money is the carrot but transformation that you go through and who you become through the journey is what is truly the lasting value.

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**FT:** It sounds like you really have to become conscious though. When you're at the top of that mountain, you are being reflective. You are doing a little soul-searching and I think that is in the missing ingredient often when we are talking about money in our culture and how to really give our money meaning. Would you agree?

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**TT:** Yes. It's not really cool for me to say this on a show called "So Money" but nobody really wants more money. What they want is what they think money will bring to them.

**FT:** Right.

**TT:** But the money itself is not really what we pursue. We pursue what we think it does for us.

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**FT:** When you are doing the good work that you're doing at Financialmentor.com – and there are so many resources on that site from calculators, to books, to the podcast, to your blog, this is probably one of the richest websites I have ever visited with regards to personal finance and wealth-building – you give a lot of freebies to your readers, blueprint basically for building wealth

and you say that this is a blueprint that actually works. What do you mean by that? How do you measure if something is working in your financial life? If your blueprint is actually working?

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**TT:** Well, it's the whole reason I got in this business. First of all, thank you for the compliments. That was very kind of you. I know you've been through a lot of sites and you're very knowledgeable so I really appreciate that.

I've been through a lot of this stuff. I was the crash test dummy for everything. I tried to figure out what worked, what didn't and why, and then the real difference in what I'm doing on Financialmentor is I've been coaching people real-time now for – it's hard to believe – 18 years. I've been in the trenches with people one-on-one, week after week for 18 years. And these are normal people who are trying to transition into a life of wealth, going from normal financial problems to wealth, I wasn't just coaching rich clients. And so you pretty soon learn what works and what doesn't. I've been at this for a while and figured this stuff out, and my viewpoints are not common. I come at this with some very different viewpoints, but they're all grounded in mathematics, they're all grounded in truth. Building wealth is math - I know a lot of people don't wanna hear that, they might be math phobics - but we're not talking complicated math. We're talking high school algebra kind of stuff. Really simple stuff, but you've gotta understand that wealth compounds to mathematics and a lot of principles are grounded in math, and this is science and it works.

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**FT:** Do you think that's one of your secrets to the success of how you ultimately coach people? Even on your site you have a ton of calculators, you say it's all - the proof has to be there, it's very numbers driven, and I think that's exceptional because we tend to mix so much emotion in our financial decision making. Do you consider yourself really good at kind of separating the emotions from - making money decisions very rapidly and not being so emotionally invested in certain decisions? Especially when it comes to investing.

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**TT:** Well yeah I know. But I think I probably mis-characterized myself here. I think I probably came on too strong on the math side. I actually do both. And that I think is one of the unique things in my teachings but I keep them very separate. So we've got the science of building wealth, but we've got the human emotional side and you cannot have one without the other because we are human beings. We're emotional human beings. The saying I like is that we make decisions emotionally and then we support them rationally. And so it's really it's both, and you have to be really good at both. And that's where the coaching side of me comes in. You've got the finance geek side of me - I came from the hedge fund side, I was one of the early pioneers of computerized trading systems and all that stuff - so you've got the full on finance geek. But then you've got the coach. When I'm working with clients this comes down to a lot of life coaching skills cause in the end it's not - there's a lot to this. I think it's that double layer, that 2 dimensions of the personal and financial and getting them blended together that really separates the teaching.

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**FT:** I like what you said there, "Make decisions emotionally, support them rationally." I often ask my guests, what would be your number one money mantra or financial philosophy - is this it or is there something else that you covet?

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**TT:** Oh gosh, there's so many. One thing where I always fail on these interviews is that "number one" or the "superlative" because to me there's multiple things. I think one the things that really characterizes me is what I call "an intrinsic value focus". That's one of the things that's kept me out of the repeating financial bubbles we see, the oscillating financial bubbles. The stock bubble of 2000, real estate bubble of 2006/2008. I mean I was known for getting to the site of those and writing pieces to let people know in advance of them. And I've got a piece out now about the bond bubble. I published that at the peak in 2013. I have a very strong values focus, but again it's playing off of what we were talking about. It operates on two levels - it's the personal as well as the financial. There's this intrinsic value in investing, this understanding of values that keeps you from getting caught up in the hysterias that we repeatedly seem to go through. And then

you've also got this intrinsic value of, "What is your life about? Why are you doing this? What's the purpose? Cause in the end, the only real function of money and wealth is as serving as a tool in your path to happiness. Your path to fulfillment - what is your life about? There's this kind of intrinsic values of who you are, coming from inside you. It's a much internally-directed focus. I think that's one of the things that really characterizes the difference, if you will.

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**FT:** You call yourself a millionaire next door. Self-described millionaire next door. I love that. You're wealthy, you retired - well not retired - but you made millions, self-made millionaire by your 30's and you don't drive flashy cars, you don't live in a mansion. You prefer to build net worth not overhead, as you talk about on your website. Was this something that Todd Tresidder as a child, was in your DNA, didn't really have this aspiration for big flashy, shiny objects. What was childhood like for you? What was your biggest money memory?

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**TT:** Well I've got a couple articles on "enoughness" on my site over on the True Wealth side where it talks about - money can be an insulator from happiness. When my wife and I would travel, we wouldn't stay in American 5 star hotels in foreign countries because it insulates you from the cultural experience of the country. We would stay in comfortable clean places but they would be considered lower brow by people's travel standards. But we wanted to be immersed in the culture of the country, that's why we're there. We don't get on tours that whirlwind you around like a typical American. We go in and we kinda hang out in countries.

So I've never had a high-spending focus. I don't need to go flat-out in a Learjet, I'm happy in coach. I prefer being a normal person. I just want my life. So I've never had this big spending focus and on top of that, I'm very environmentally focused. There's a direct relationship between consumption and environmental problems. So I'm just not a mass consumer. I haven't found that it brings me any joy. To me, the stronger slogan in here is "Experience is not stuff." To me a happy fulfilling life is driven by experiences, not stuff. I had the experience early on as a kid, I tell it in my free eBook that I give away, "18 Essential Lessons from a Millionaire".

I tell about how I learn these lessons early on, where I work really hard for stuff, I got caught up in it just like everybody else. And then I looked back on it and went, "Wow, I wasted my whole high school career working for flashy cars and motorcycles." And then I didn't wanna repeat it in college. It's just been this evolution of internal understanding about what brings happiness. And it's experiences, it's not stuff.

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**FT:** I'm curious, your experience working in the hedge fund industry, we often associate this world with being very material driven, lots of excess, people making hundreds of millions of dollars, what do they do with this money? But it didn't affect you. Was it hard to not sort of be sucked into that sort of stereotypical portrayal of what it is to work in finance and Wall Street hedge funds, things like that?

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**TT:** Yeah in the later stages it was. You gotta understand, when I got in hedge funds business they were called private place and partnerships. I was very early on in the industry, I was one of the early pioneers in mathematical trading systems. So when I started in, it was not an issue. Later on as I was attending hedge fun conferences where you're getting whisked off to champagne dinners with Dom Pérignon and all the clichés that you hear about. Yeah it got pretty hard. It just was not who I was. I would fly in to Switzerland for a conference and skiing in the Alps, and have these fancy dinners, and there was all kinds of other stuff going on. I just was like, "It's just not me." Whereas I go - like you and I met at the financial bloggers conference - I go there and I feel right at home. These people are about value, and thrift and they're trying to help people out - I feel very connected to that community.

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**FT:** Yeah. It's a fantastic community. You've had a lot of success, Todd, as an investor. In your professional life I think your worst year was like you lost 5% right? Something incredible like that. A lot of people listening to this podcast want to start investing and they're not necessarily rich, they're not even perhaps making enough to save, but they really wanna invest because

they feel like it's not enough to just leave their money earning 0.005% in the bank. What's your advice to that generation of younger investors who wanna sink their teeth into this? When are you ready and when is it okay to really get started?

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**TT:** Well, you wanna get started as soon as possible. I mean I started investing straight outta college and made some amazingly horrible mistakes, but at least I got started. My first investment [chuckles] - I mean this is a fun story - my first investment I did about as bad as you do. I lost 100%. I mean the company went to zero. And that was actually money I was saving to go back for my graduate degree. So I really blundered bad when I got started. That should go down for worst money mistakes.

**FT:** Yeah that was gonna be my next question, but you already answered it. Two in one!

**TT:** [Laughs] Yeah I thought I'd toss that one in there for ya.

**FT:** Thank you.

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**TT:** So, I'm sorry, I lost track of the question.

**FT:** Well, so what would be your advice? Would it just be to start as soon as possible so when you fail you can weather the storm.

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**TT:** There's a couple things here. First of all, you have to understand the lifecycle of building wealth. So in the early stages of building wealth, the most important math behind it is your savings rate as a percent of your income. So you really wanna focus on the frugality and the spending side and really aligning your spending with your values, and really getting that piece in



place to maximize your savings. And then focus on building your career and increasing your income. So that's the most important point in the early stages.

In the later stages it's the compound returning your money in excess of inflation that determines your wealth. So what you wanna do is, in the early stages get your personal finances right, get your savings rate maximized, work on growing your income. And then as you do that, start developing your investment knowledge. The most commonly taught investment strategy, what we'll call the "Bogal Header Vanguard", it's the low-cost passive index, standard asset allocation formulas. That is a valid strategy - it has a horrible risk-reward ratio from high periods of high valuation, but it is valid given a long enough time horizon.

And so you can start with that, and that's very easy to understand. It can pretty much be explained in just a few sentences, it's so simple. That's a good place for people to start and then you wanna build from that - not to pitch, I will be doing a course later on in the year on expectancy investing, and basically it builds on top of the proven principles in the most basic strategy of low-cost passive index asset allocation. So you build on top of those proven principles, you add in layers of risk management and expectancy to improve upon it.

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**FT:** The average person should not be doing this alone on their own right? We just don't have the capacity and not to be disrespectful to people, but this requires a lot of concentration and focus in some ways.

**TT:** I disagree fully.

**FT:** Really?

**TT:** Yeah I disagree fully. I teach that nobody's gonna care about your money more than you, and the costs involved with professional advisors usually exceed their value and so if you are completely without discipline and cannot follow a methodology, then it can be helpful to have an advisor to hold your hand and enforce things. But the principles here are simple Farnoosh, and

anyone can understand them. One of the main principles here is the compound effect of high costs of having a professional advisor.

So example, let's just throw some numbers around. If you have a professional advisor who's charging 1% of asset and they put you in higher costs funds and lets just throw an increase in expenses for 1%, so you've got a net increase in cost structure of 2%. That advisor can take 75% or more of your retirement, just from that low-cost increase in expenses. And the maths on it is simple. If you figure a 2% compounded used rule is 72 right? That means every 3 to 6 years you've got half as much money as you would have otherwise. And then if you use 4% safe withdrawal rate, that means 2% expense, means you've to half as much money you can withdraw. So again, just using really simple ballpark numbers, conventional advisor with conventional cost structures costing you up to 75% of your retirement.

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**FT:** That's a huge position to take. I mean, just because - your view against this mega-monolithic industry of financial advisory, it's interesting. I hear what you're saying, and I do also believe that you are the only one who cares more about your money. You should care more about your money than anybody else, you should be your biggest advocate for your money. I work with a financial advisor, it's a lot of paperwork, it's a lot of time, it's a lot of moving money around. I'm busy, and maybe it's lazy, but I just don't have the time to really invest in - although we meet and we talk about our investments and I feel very active in some ways, but in other ways it's nice to have a partner in crime.

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**TT:** Yeah. Okay so again, it's just math. I just shared with you about - math's undeniable. I recognize this is a very controversial position, but hey! It's a show.

**FT:** Yeah!

**TT:** [Chuckles] But anyway, no it's completely supported by the math. It's not even an arguable point. The only way you can argue it is by taking opposing points or by taking alternative points

of view. I already offered that up which is, if the advisor's gonna hold your hand and allow you to - enable you to do thing that you otherwise wouldn't do - and to keep you from making mistakes, then possibly they add value in excess of cost. But this is a tenet that I teach which is you should only pay for those things that add value in excess of cost. And I just shared that it's painfully obvious an advisory can cost you 75% of your retirement. The only way that's not true is if the advisory is adding value in excess of cost. And so you have to look at the value add and decide if it's worth what it's costing you. And again, it's just the way that it works out. And that is it.

**FT:** The math is hard to ignore. Todd, what would you say is your biggest financial success? Your So Money moment? You've had so many wins in your financial life, so successful, what is your proudest moment?

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**TT:** I would say that story I shared with you about the pinnacle of selling the hedge fund. I was so excited only to realize that was the beginning of a major downfall because at that point I realized that I had subscribed the millionaire myth. That if I just has a million dollars, everything would be fine. Financial independence was the myth. My myth of what financial independence was just like everyone else. So as I moved into the face of life I've dubbed the "pro-leisure circuit" right? I call it the Pro-leisure Circuit where suddenly, you know, your life is about entertaining yourself, and I realized that was not happiness, and I began a whole journey of personal growth as I tried to sort all of this out and the myths I'd been living under cause I'd worked to achieve financial independence. I suppose that was a pinnacle moment, but then it was also the beginning of a downfall.

**FT:** It was the beginning of a journey, a transformational journey and I think it why it is so exceptional.

**TT:** Yeah yeah, as I said, these are all cycles. You just move on to the next one and you keep growing and you just try to become the best version of the person you are.

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**FT:** Do you have a daily habit, a money habit, that helps you maintain grip on things.

**TT:** Well, I follow my investment methodologies. They don't all require daily following - some do, some don't. I have a variety of them. So I keep an eye on that. I guess that's it. I don't run our personal finances as I've share in the podcast with you when we did money and relationships, I run the investment side or the asset side of our family and then my wife runs all our personal finances. So I don't even have any daily money habits other than investments.

**FT:** [Both laugh] Does she keep you on a tight budget?

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**TT:** No not really, cause I don't really spend much anyways. So I'm happy with a chair and a book and going hiking in the mountains. I'm really kind of a simpleton in some ways and I'm really complex in others.

**FT:** Well are you ready for some So Money Fill in the Blanks?

**TT:** Sure!

**FT:** Alright. If you won the lottery tomorrow - if I won the lottery tomorrow, let's say \$100 million. I Todd, the first thing I would do is \_\_\_\_.

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**TT:** Oh Catherine, my wife, and I we would go out for a really nice dinner. Celebrate, have a really nice bottle of wine, and then the next day I would get back to work.

**FT:** Would you leave the money to your kids?

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**TT:** No. No. I think -

**FT:** I knew to ask you this, because I had a feeling you'd have an interesting answer for this.

**TT:** Well I thought Warren Buffet gave great wisdom on this one. He said, "You should leave your family enough that they can do anything they want, and you shouldn't leave them so much that they don't have to do anything at all." I've been in a very privileged position of working with some wealthy clients and second generation money, and you know all sorts of different combinations. And also my self-creating money, and then watching the impact it had on me. And when you don't have to work for money, which is what happens when you leave somebody a bunch of money - suddenly don't have to work for money - it's very hard to find your motivation to go pursue your life. It's very tempting to just drop off to the pro-leisure circuit, and that is not a fulfilling life. That does not bring happiness, and I've got way more examples than I can share in the time allotted here. So it's not a gift when you leave your children so much that they don't have to pursue their own lives. Whereas it is a gift when you can leave them something that opens up life to them. It's enough to help them move into a better life, but they still have to pursue their own life.

**FT:** True. And I think you have to know your kids. Sometimes even if you do leave your kid the house and the boat and everything, they will do good with that. Maybe they'll open, they'll start a charity, a foundation. It's important to have that conversation with your child a little bit and let them know what kind of a legacy you're hoping they will leave with the help that you're leaving them.

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**TT:** I'm blessed with some really good kids. Obvious proud daddy, right?

**FT:** Yeah. [Both chuckle]

**TT:** And I still stand by what I'm saying that it doesn't matter how good they are, I don't wanna take away their need to live their life and have their full life experience. Good, bad, or indifferent, I think we have this myth in our heads that there's something wrong with struggle, or that there's

something wrong with conflict. And there's not. It's kinda like this idea, it's part of life. And it's part of the beauty of life. It's like this idea - and I'm only getting so good at living it, it sounds so ideological when I share it. I'm trying to live it and sometimes I do well, sometimes I don't. But think about it, how much fun is it to watch a sporting event, like say a football game, if there's no opponent, if there's no conflict?

**FT:** Right.

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**TT:** Right? It would be boring right? The team would just march down the goal line and toss the ball, and "whoa", huge victory. Or you think about like how interesting would a story be if there was no conflict and everybody just walked through and everything worked perfect. It would be boring, nobody would read it. And similarly, it's the same thing in your own life. How valuable - think about your great victories in life, your great achievements. And if you think about the ones that really stand out there always because you overcame something inside of you or something external to you that was a big struggle and you emerged victorious. It's like The Hero's Journey from Joseph Steinberg where you overcome the dragon and assail to victory and then you come back with the prize to share with others. And that's the beauty of life, and that's what makes a fulfilling life.

**FT:** It makes a great story. Yes.

**TT:** Yeah. And when you give somebody a ton of money or you have a ton of money, you will find that that is pulled away from you, the willingness to take on the struggle was much harder to find.

**FT:** Exactly. Well, Todd, I know you're not a big spender but if there is one expense that you have that makes your life easier or better, or both, is \_\_\_\_.

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**TT:** Wow, I think I'm gonna fail you here. I really do not - how about this: We buy organic produce and locally grown food which is more expensive.

**FT:** And it makes your life better.

**TT:** Yeah. We care about our health. Health is a high value we have here. Oh I know one! We spent lavishly on our children's education. And I can't say lavishly, because it was actually a really good value for the school. The school was just amazing and it was not terribly expensive in terms of private school, but we did pay for private school for our children and we'll fund their college as well - they're not there yet. So that was a high expense that we spent money on. But again, that's congruent values. If you look at both of those, we care about our health and we care about the education of our children.

**FT:** I was just talking to another guest and something was said like, "You can tell a lot about a person based on their bank statement, or their credit card statement." [Chuckles] Basically how they're spending is very reflective about perhaps their values.

One thing I wish I had known about money growing up is \_\_\_\_\_.

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**TT:** Well I wish I hadn't idolized it so much. I mean, I was in an aggressive entrepreneur as a kid. I'd start out with a paper route and then magnified that out into multiple paper routes and did them on a motorcycle and then got into hot cars like any other kid in high school. I really was into money and stuff as a kid and I wish I had a deeper perspective from an early day. But of course, you gotta learn those lessons I guess.

**FT:** And there's nothing wrong with being entrepreneurial as a child. I think that was a great stepping stone for you and education for you.

**TT:** I agree with that. I don't have any regrets on that. It was about the money.

**FT:** It was the pursuit, the chase of money. Yeah.

**TT:** It was the money. I was definitely about money back then. You know, I still am to some degree. We teach we have to learn.

**FT:** Of course, yes. It's the carrot, as you said.

**TT:** Yeah, yeah. But it's definitely taken a much more balanced place in my life.

**FT:** When I donate money I like to give to \_\_\_\_ because \_\_\_\_.

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**TT:** I don't even know. My wife does it all. If I had to guess - when I look on the tax returns it's nearly always environmental charities. She has some social causes, but it's nearly all environmental charities.

**FT:** And last but not least, I'm Todd Tresidder, financial mentor - I'm So Money because \_\_\_\_.

[00:31:10]

**TT:** You know, I pursue money - the slogan I like to say is, "I pursue money like a kid plays Monopoly". To me it's this fascinating game, like why would I watch those TV shows that everybody watches - reality TV that's what I was trying to say.

**FT:** Real Housewives. Yeah, or Bravo yeah.

**TT:** Why would I watch reality TV when reality is so much more entertaining, you know? Like living it, like why not just make my story interesting? Why would I watch somebody else's on TV?

**FT:** Yeah, why live vicariously through others when you can have more drama and excitement and conflict and passion in your own life? Cheers to that!



**TT:** Exactly, exactly. So that's how I pursue it.

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**FT:** Todd, thank you so much. You know, Todd is my brother's name, so I feel like that's just a bonus.

**TT:** I would love to say Farnoosh is my sister's name, but I'd be lying Farnoosh! [Both laugh]

**FT:** You'd be lying through your teeth. Farnoosh, yeah it's not that common as it turns out - my name. But I'm sticking with it. Thank you so much Todd. I really appreciate having you on the show. Everyone check out [Financialmentor.com](http://Financialmentor.com). Fantastic to have you on the show. Have a great rest of the week.

**TT:** Bye, thanks for having me Farnoosh.

[END]