

EPISODE 1105

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[INTRODUCTION]

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FT: Welcome to So Money, everybody. I’m your host, Farnoosh Torabi. If you’ve got questions about why the stock market is not necessarily reflecting the state of the economy, this episode is for you, because I’ve got a lot of questions about that as well. Our guest, Dr. Hans Boateng, The Investing Tutor breaks it all down for us, discussing the discrepancies between the stock market and the economy, as well as how to pick stocks.

Now total disclaimer, you know that on this show and in real life, I don’t talk about picking stocks. When it comes to investing, I’m all about long-term investing, passive investing, investing in things like, low-fee funds, index funds, ETFs, tapping your 401(k) at work, using a Roth IRA. At some point, you may find yourself wanting to invest in individual stocks after you’ve gotten all your bases covered.

I just invested a little bit in the stock market, picked a stock called Party City. You may have heard of it. Well, Dr. Hans and I discuss how to actually pick stocks with more certainty and what he actually thinks of my stock pick. He was none too happy to hear about my Party City pick. You’ll hear why. I try to defend it. I think he might be right.

More about Dr. Hans. He is an immigrant from Ghana. Moved to New York City with his family years ago. They lived in a one-bedroom apartment. Han’s making just \$6 an hour at that point, also attending community college at the same time, but always knew, always knew that he would be wealthy. He started to read. He started to get mentored. He landed on the power of investing. On his way to becoming Dr. Hans, he earned his path of distinction MBA from William

and Mary. He holds a doctor of pharmacy from St. John Fisher College. To help him become the expert that he is, he's read over 400 books, 40,000 financial articles and has spent 11 years pursuing mastery. His website is theinvestingtutor.com.

Very excited to unveil our interview. Here is Dr. Hans.

[INTERVIEW]

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FT: Hans Boateng, The Investing Tutor. Welcome to So Money. Finally, we've been Instagram friends for a while. It's nice to connect voice-to-voice.

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HB: It's such an honor to connect, Farnoosh. Thank you for having me.

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FT: A little bird told me, you thought it was hilarious that I invested in Party City stock. Audience, I was on a podcast recently, The BiggerPockets Podcast, which is a huge, huge podcast. Check it out if you haven't already. You were listening, Hans. I mentioned that I had dabbled in some individual stocks, just one actually. It was the Party City stock. You know I'm not an individual stock investor, guys. I was in Party City, saw just the overwhelming lines and crowds and people just going crazy, buying all this stuff.

Maybe I'm new to the scene, but I thought there was something to it. I thought, let me go and research this company. Turns out, it's a \$1.50 per share. I thought, "Well, let's just throw some money at this and as a game." My brother and I participated. This is the story that I shared on this podcast. Hans, you happened to be in the audience when I was sharing this story and I guess, I made you laugh, but also made you fall in love with me, didn't it?

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HB: Definitely. With regards to that investment, I was thinking to myself, “Okay. Farnoosh is judging that this company is a good investment based on the store, the line in the store.” I was like, “Well, there are other factors, which –”

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FT: There were other factors that I looked at.

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HB: Okay, perfect.

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FT: Well, first of all, I figured it's at a dollar something. It can only go up from here, or it goes to nothing and my – I feel I had more upside potential with this stock. The other thing was that I recognized that they had just received a huge inflow of debt relief, that there was an investor that basically swooped in and relieved them of a lot of their debt, so their balance sheet was a lot healthier. It was at around \$8 a couple years ago, or less than a couple years ago. I thought, okay, it has potential. Look, I invested \$500 in it. I didn't invest my life savings, or even anything close to it. It was more of just again, my brother and I did this together as a way to have something to talk about.

We have a lot in common, but this is another layer to our relationship, which he loves to invest in stocks. My brother put much more into Party City than I did. Yeah, I did look at some other variables. I didn't look at PE and all that other stuff, because that just goes over my head.

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HB: Yes. I also don't look at PE and all of that stuff. To simplify, the most important metric that you need to think of is do you believe that in 10 years from now, Party City is going to be around? Is it going to be growing and will the company be more valuable than it is today?

Because if the company is going to be more valuable, let's say in 10 years, or a couple of years from now, then the stock is going to grow. That is something that most people overlook. The stock price is tied to the value of the company.

As the value, the total value of the company increases, which has to do with the revenue that the company is making, so you seeing people in the store is an important thing. Your confidence in this company going to be more valuable in the future is the main key metric. For me, the reason I was laughing is because with the pandemic going on and a lot of retail stores closing, how do we know that Party City is going to be able to make it? That was the only thought in mind.

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FT: People love balloons. People love the balloons, Hans. We are procrastinators. That I know is not going to change in the next 10 years. Everybody buying balloons and tchotchkes and beads and plates and party bags, these are people who have birthday parties this weekend, it's because they didn't have time to go on Amazon and figure it all out. There's something about going into this Party City. It's like going into, I don't know, this – It's an experience. It's not a great experience, but it is an interesting experience. Just like, you go in there. Everything's super cheap. You're inspired.

Oh, maybe I should get this cute, colored, themed birthday party. Blah, blah, blah. There's just a lot of inspiration that happens in the store. It's a time suck, but I think behaviorally, I think that there's something to it that humans are drawn to. If it's not just the balloons, it's all the other 20 aisles.

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HB: Absolutely.

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FT: Why am I promoting Party City? I don't want to spend time doing that on this podcast. I want to talk about you and your brilliant business that you've built helping people. You just give a

flavor of it right now, helping people understand stocks and investing, demystifying it for everybody. I want to get into your background, because your background is not actually – at least it didn't start out in investing, and so curious about what made you transition.

Let's first talk about what's happening in the world right now, which is that the stock market is doing pretty well compared to the economy. Job market is in the tanks. As you mentioned, a lot of retail is shuttering, a lot of businesses – I was just reading about small businesses, about a 100,000 of them will never come back as a result of this pandemic. Now I know those aren't the companies that are in the S&P 500, but why is there such a disconnect between what is happening in the market, stock market, versus what's happening in the economy? Can you explain that to us for a little bit?

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HB: Absolutely. The stock market looks at the future. Whenever we're investing, we're investing in the value of let's say, companies or if it's the S&P 500, the value of the US economy in the future. Then the stock market is growing, because it's looking at the fact that a vaccine is in production. It's looking at the fact that the federal reserve stepped in and they've pretty much provided liquidity up to about 4 trillion dollars. It's supporting the US economy. Congress, senate, White House they came together. They passed a 2 trillion dollar stimulus, which gave most Americans, 80% to be exact, a stimulus check.

You look at the amount of money being pumped into the economy, it takes time for Main Street, or the real economy to begin to see the effects of this, but then the stock market can look at all of what's going on right now and say, "Oh, my gosh. Things are going to be way better in about a year, year and a half." Then the stock market values that and that's why you see growth in the stock market. Then it's going to take time for the economy to catch up.

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FT: I understand that. I think that is true. That's what I learned also in my years working at places like thestreet.com and reporting on the stock market. At some point, do you think that the stock market has to correct? I mean, we had a big fall in March when the pandemic first arrived

in a big way and everybody was quarantining. At that point, there wasn't talk of a vaccine. I mean, obviously, we are always going to work towards that, but it wasn't something that looked like it was going to happen in the near term.

If you look at anyone's portfolio over the last 11, 12 years, it's been very solid, very positive trending. What would the market need to believe in order to have another, maybe a year or two of negative growth?

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HB: The market would have to believe that the federal reserve is going to let the entire economy go – pretty much be obliterated, which is close to impossible. The Fed Chair, Jerome Powell, stated that they are going to be increasing the purchases of treasury bonds, as well as mortgage-backed securities. For individuals listening, that pretty much means that the federal reserve is going to keep pumping money into the treasury, which gives the government money. In essence, the government can then go on and create programs, like stimulus packages and things of that nature, which then passes on that money to us.

Then with mortgage-backed securities, when they keep purchasing these, it drives down interest rates, or mortgage rates, which makes home purchasing more attractive, when you have low rates. Then for the stock market to crash, which in my opinion, there's a 1% likelihood that this is going to happen over the next one to two years, for the stock market to crash, we would need to see a vaccine not come out in the next two years, would have to see the federal reserve increase interest rates, instead of decreasing it. Would have to see the election pretty much not turn out the way that we're expecting.

Maybe one party wins and then – so let me be specific. Let's say, the democratic party wins and then President Trump is like, “No, it was a fake election. It was rigged.” That can trigger pretty much a stock market decline, because the stock market does not like uncertainty. When everything is certain, stock market continues to grow. When there's uncertainty, there's a pullback, or it could be a recession if that uncertainty is major. The only way we're going to see a significant dip in the market is if one of these factors that I've shared with you occurs.

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FT: I will say that uncertainty has become the certainty. Also, I'm looking at the election and I'm like, whichever way it goes, a lot of people are going to be unhappy. I don't think there is a certain expectation of how the election is going to go. I think that what is certain is that there's going to be chaos. Anyway, that's for another podcast.

Tell me a little bit about why you are such a lover of investing, given your background? You studied not investing. I mean, you're self-taught. When you went to school, you have a doctor of pharmacy from St. John Fisher College. You do you have an MBA, a path of distinction MBA from William and Mary, but how did you get into the investing game and what was the initial bug for you? What caught you?

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HB: Let me share a little bit about my story, because it allows individuals to understand. I was born and raised in Ghana, West Africa. Growing up, you were told become a doctor, a lawyer, or an engineer. Then your foundation is based on, "I need to go get a job. If it's a high-paying job, then I'll be able to build wealth. I'll be able to be rich." Then fast-forward, my family and I, we end up in the US, Bronx, New York. We go from middle to upper middle-class family in Ghana, West Africa, to Bronx, New York and we're pretty much starting at the bottom.

We lived in a one-bedroom apartment. My bedroom was in the living room with a pull-out sofa. I was earning \$6 an hour working a part-time minimum wage job and I was attending community college. Despite this humble beginning, one thing that I knew for certain was that I was going to be wealthy. You might be wondering like, how did you know that? It's because I would look at the lifestyle that super wealthy people have and then I'll say to myself, "Hey, if they can achieve that, then why not me?"

I didn't know that this passion and desire would then end up with me meeting this mentor when I got enrolled in pharmacy school. The mentor could tell I was really driven to want to build wealth. He felt that the path by which I was taking, to get a degree and get a job was not the

way wealth was built. Then he asked me to read the book *Rich Dad Poor Dad* by Robert Kiyosaki, which I did.

The first chapter of the book said, "The rich don't work for money." That was the point that my life changed, because everyone works for money, at least that's what I understood. That's what I believed. Then, this concept of the rich don't work for money. I had to ask myself, what do rich people work for? What do the wealthy have? I found out that rich people work to acquire assets. It is those assets that then generate money and wealth for them. Then they are not trading their time for money, because there's a limited amount of time that every individual has. Then an asset literally unlinks that time to money equation and allows an individual to be able to build wealth, an infinite amount of wealth.

Then once I understood that, okay, it's an asset that builds wealth. The next question is okay, what assets do rich people have? Going to the Federal Reserve website, looking at IRS data, the top 1% have three times more money in the stock market than they do in real estate. Being that it was IRS data, I was like, "Oh, wow. Okay." Then I was like, what is this stock market thing?

I went looked into the stock market and then I found things like S&P 500. For the past 100 years, the stock market has been averaging about 10% if you factor in dividends. I was like, "Oh, my gosh." I go to a compound interest calculator and I say to myself, let me take a minimum wage worker and let's say, this individual is investing 10% of their income on a month-to-month basis. That's approximately about a \$100. I plug it in and I see this individual starts investing a \$100 from age 20 to age 65, which is retirement age. I found out at that 10% rate of return, that individual will have a little over 1 million dollars.

That was the life-changing moment for me. I was like, "What? A minimum wage worker could have a million dollars by retirement." I was like, everyone needs to know about this stock market thing. Everyone needs to know about it. I started to read as much as I can. I've read over 40,000 financial journals and articles. I've read over 400 books. Each day, I spend about four to five hours each day studying everything that's going on across the world, in the US. I'm so enamored by the stock market. I can't explain to you where I get this passion, but I just feel like everyone needs to know about it.

If I can add one more thing, I realized that immigrants and minorities often know little to nothing about the stock market, because if you think about my upbringing, African parents, what do they know about the stock market? They cannot pass on that knowledge to our generation. I realized that that is what is further expanding the wealth gap in minority communities. I felt like it was a calling to step in, let go of this doctor of pharmacy degree that you have and then provide this knowledge that you've acquired to help uplift minorities. Or in all honesty, anyone who is looking to build wealth, but wasn't raised in a rich and wealthy family.

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FT: You're absolutely right. I think part of why as a daughter of an immigrant and a minority, I think part of the reason why also we don't invest as much is because of the accessibility barrier, where investing is often billed as this very sophisticated, exclusive club. Investors, you have to be – first, you have to be rich to invest. You have to invest to get rich. You don't start out rich when you invest. You don't have to, at least. I think that there's some messaging problems around the concept of investing. What I love what you're doing, your work is you're really breaking down those barriers.

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HB: Yes. It's very, very important. If you look at income disparity in the country, it's a two to one income disparity. Then if you look at the wealth disparity, it is 10 to one. Why is it that income is two to one, but wealth is 10 to one? Clearly, we are not utilizing, even though we're not making an equivalent amount of income as let's say, a white person, and I'm speaking for me, because I'm black. We can still, or we should still be able to leverage at least what we have to be able to build wealth.

I feel that my job is to educate, teach, inspire and encourage individuals to understand the importance of long-term investing. For example, when an individual discovers my platform, they learn that the first thing they need to do is to look into a retirement account through their employer. 401k, 403(b), or thrift savings plan if a person is in the military. That's where you start. That's the foundation.

Once that is established, then you look at your investment funds, so index funds and ETFs. Once that second layer is established, now you look at the icing on the investment cake. A few stocks of companies that you love, understand and believe in. That's pretty much what I share.

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FT: For that ladder component, the portfolio of the stocks that you love, can we talk about that a little bit? We don't talk a lot about that on the show and I think it would be fun to explore that with you, okay. Assuming you've got all these other layers figured out, this is not the first thing you're approaching to do, everybody. This is the icing on the cake. How do you go about doing it? My old colleague and mentor, Jim Cramer, would say that you can't have any less than five stocks in that portfolio. You still want to be diversified. You have to approach it like you, do your sports teams, or whatever, other passion you had. You check the numbers every day. You got to love it, because that's what it's there for. It's this intense portfolio that you want to monitor.

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HB: I would say that the diversification piece is already being done with their retirement account and their investment funds. They have over 500 stocks, so diversification is happening there. With the few stocks, they could be three, they could be five, they could be eight. With those few stocks, I tend to say, don't worry about diversification, because once again, you have the two layers in place. With those, just focus on I like to say, how are you spending your time?

For anyone listening, if you have an iPhone, you can go into settings, look at screen time, look at the apps that you are on this week. You will get two incredible investment ideas right there. Then look at how you're spending your time. What TV channels do you watch? Are you on Netflix? Okay, well go look at Netflix stock. Do you have Disney Plus for your kids? Maybe you might want to consider Disney as a stock. That's the time component, how you spend your time. Look at how you spend your money. Do you go to Party City? Or are you at Target? Are you at Walmart? Or are you always shopping on Amazon Prime, or Amazon? Or do you love Apple products? That gives you ideas as to the potential companies you can add to that stock

portfolio. Then there are five questions that I tell everyone to ask themselves. It would be fun to see if we could go through those questions with Party City, if you will.

The first question that I ask is do you love this company? The second question is do you understand how they make money? The third question is will this company continue to grow? The fourth question is 10 years from now, will the company be around? Will they be relevant? The fifth question is does the company have a compelling vision for the future? I'll go ahead and go through the questions and then for each question, Farnoosh, if you will, if you can answer it for Party City. The first one, do you love Party City?

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FT: Not really. I go there maybe once a year. I don't like their digital experience at all. I find them actually pretty inconvenient. You have to go to the store to make an order sometimes for your balloons. It's very stodgy, but when you need balloons, because your son's birthday is tomorrow and it's 4:00 in the afternoon today, it's your only option. While I don't love it, I see how it fits a need at times.

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HB: Sure. The first one is a no. The next question is do you understand how the company makes money?

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FT: I think so. I think it's margins on all the products that they sell and it's like a grocery store. It's probably why it's not the best experience, because they're trying to – they're selling on volume, so it's a lot of stuff in the store.

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HB: Yes. Do you feel like Party City will continue to grow? Meaning that they'll continue to open more stores, because it's more of a retail footprint? Do you feel they'll continue to grow?

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FT: Perhaps. I feel it's really going to get acquired at some point by an Amazon, or a Walmart. I don't know if there's really a lot of customer loyalty. Again, there's really nothing like it. You just got to deal with it. I don't see what the growth strategy would be, other than maybe going into areas that they don't exist where they realize, "Hey, there's a burgeoning community here of families." That could actually be interesting to look and see what happens, because we know that geographically, people are changing where they live as a result of this pandemic. Perhaps, the hot spots, the hot centers, the places where people would normally go to as the go-to suburb, maybe that changes, and so they're finding themselves popping up in other parts of the country, because of that's just where the demographic, the geography is changing.

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HB: Yes. The fourth one is would they be around in 10 years? What do you think?

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FT: Yeah. I think that it would be a maybe. I would say, yes.

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HB: We're not certain. There's a possibility.

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FT: Not certain. I think maybe there's a good acquisition probability.

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HB: Okay. Then the last one is does Party City have a compelling, exciting vision for the future?

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FT: Oh, gosh. You don't hear about it in the news, at least. I wouldn't have anything to go off of.

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HB: That is why when I was listening to the podcast which you talking about Party City, I was just – Let's take this and I'll quickly run this through an example like Apple. For example, do I love Apple? 100%. Do I understand how Apple makes money? Yes, selling their devices, as well as now, services. Will Apple continue to grow? 100% Will Apple be around in 10 years? I mean, where are they going? The last one, does Apple have a compelling vision, an exciting vision for the future? You see how we could confidently answer these questions for Apple.

If a person had to decide on do I go with Apple or Party City, you can you can see how Apple would be a really great investment, even without going in and doing a cash flow, a discounted cash flow analysis and looking at PE ratio and all of that. That is how I want individuals to look at stocks.

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FT: That makes sense. I will say, my Party City stock is up 33% since I bought it.

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HB: You're really doing well. You really are.

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FT: Just saying.

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HB: Just so you know, I analyzed Party City stock and the metrics showed me that it was a good investment, in all honesty. The metric showed me that hey, there's some growth potential there. It's just that like I'm saying with their retail –

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FT: It's not a long-term bet. It's a short-term play. Yeah. Wow. Hans Boateng. Thank you so much for joining me on So Money. There's so much more we could talk about, but I do want to send people your way. Well, hopefully tease them here during this half hour and then they can come to you for all the meat and all the great offers that you have. Tell us about where is the best place to find you and what you would love people to check out.

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HB: Yes. Once again, Farnoosh, thank you so much for this opportunity. I've been listening to your podcast for close to about two to three years, so this truly has been pretty much a dream. Thank you.

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FT: That's so nice of you to say.

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HB: For the individuals who are listening, if you want to connect with me, I'm on Instagram and my handle is @InvestingTutor. Tutor, T-U-T-O-R. Just search investing tutor. You can connect with me there. What I do have for your audience, for individuals who want to understand how the stock market works, what is the stock market, what is money, how do you build wealth? I have a completely free program and that's on my website. The URL is pleasehelpmeinvest.com. The URL again is pleasehelpmeinvest.com. Yeah, you can check that out.

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FT: Thanks so much, Hans Boateng.

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