EPISODE 115

[INTRODUCTION]

FT: Welcome back to So Money everyone. I'm your host Farnoosh Torabi. Thanks for joining me, whether you're on your commute to work, coming home from work, at the gym, walking the dog. I appreciate your time spent with us today. Have you ever heard of peer to peer lending? Well today's guest is the founder and CEO of LendingMemo Media. His name is Simon Cunningham, and he runs the Seattle-based company that promotes peer to peer lending education.

If you're not familiar with P2P lending, it is exactly what it sounds like. It's the practice of lending money to unrelated individuals, or peers, without going through a traditional financial institution or a bank. In other words, people are able to sidestep the banks to lend and borrow directly to one another. And P2P lending typically offers more attractive terms if you are a borrower than a traditional unsecured loan or credit card. And can be a godsend if you've got multiple high-interest debts and need to consolidate.

Peer to peer lending is a full-fledged fast growing business and part of a whopping $3 trillion consumer debt market. And Simon is really at the crossroads of all of this, offering consumers a website to really engage, understand, to learn more about this so that they can make educated choices if they choose to enter this market. A few takeaways from our interview with Simon: One, how he made a 10% annual rate of return on his P2P investments, key benefits and risks to this sort of investment for both borrowers and lenders, and the downsides to the frugality movement according to Simon.

Here is Simon Cunningham.

[00:02:08]

[INTERVIEW]

FT: Simon Cunningham, welcome to So Money. It's great to have you on the show.

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SC: Thanks for having me.

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FT: You recently launched, LendingMemo Media. And before we kind of get into that, I'm curious about peer to peer lending. This is not something new, but it is very 21st century in the sense that, I think I first learned about this, I guess when the market crashed in 2008. You started to hear more and more about these alternative ways to get financing. These alternative ways to make investments. And this market of going to your peers as opposed to going to a bank, how has the growth been since the 2000's? Are people becoming more and more, I guess, engaged with this? Because I know there was a lot of skepticism when the industry first made it's entry.

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SC: Yeah that's right. So when this thing first began, and Prosper the first company began in 2006, and then Lending Club began in 2007. And in the market crash, of what you're talking about in 2008, they were both very kind of 'unknown players' in the scenes. So in 2009, 2010, 2011 there was a lot of skepticism towards investing in traditional things like the stock market. Obviously, in my opinion, it's kinda pretty much gone now and people are all bullish again. But back in 2010 people were pretty cynical in many ways about investing in stocks. And so you had this perfect environment for this alternative investment which was, you know, people borrowing and lending money directly to and from each other that kind of filled that gap. And in the years since it's really taken off.

So it took Lending Club - the biggest company today is Lending Club - and it took them something around five years to issue their first billion dollars in loans. And it took them something like 8 months to issue their second billion. So it's like, and now they're issuing around a billion dollars every 3 months. So it's just an incredible growth. In many ways I think you're right, it was tied to the skepticism around the stock market in '09-'10, something like that.

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FT: As an investor in this, lets talk about both sides of the deal here. So there's peer to peer investors, and peer to peer borrowers. Investors can also be called 'lenders'. What is it - what are the benefits to investors that are unique to this, that they wouldn't necessarily get being in the stock market?

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SC: Sure. So probably the best way to kind of introduce the benefits to investors and borrowers is to just kind of quickly illustrate what this investment, what this thing is at all. And that is, peer to peer lending is the large-scale lending of money between people over the Internet. So basically, the Internet has allowed people to borrow and lend money to and from each other on a large scale for the first time in history. Like, it has never been possible until the advent of technology today to allow people, on a mass level, to be able to borrow and lend money to and from each other. And what's so beautiful is that when these people, when people go online and are borrowing and lending directly to and from each other, they don't need the traditional intermediaries that we used to use.

So back in the day if you needed a loan for a house or you needed a personal loan you'd go to a bank, and if you wanted to invest money you'd go to a bank. And so these banks were these giant kind of 'middle men' that would, you know, kind of facilitate that flow and that transaction. And what we found is that, over the years and I personally am a pretty big skeptic towards the place of banks in our culture today that a lot of times they've been said they're too big to fail, and there's talk about kind of - they're so inefficient. I mean, they have to pay for vaults, and tellers, and there's how many senior vice presidents in some of these companies.

So they're basically these giant brick and mortar things that as they move that money between the borrowers and the investors, they're going to take a pretty large chunk of it. And actually, the CEO of Lending Club, Renaud Laplanche talked about that when he went to his bank and he was trying to put it into a savings account and he was earning like 2%. And then he needed a credit card and he was getting something like 17%. So here's this like bit 15% spread in the middle, and he's going, "Boy we can do better than this," you know? That's pretty much what peer to peer lending is.

So, the answer to your question is, what are the benefits for the investors? It's earning way more than you would at a traditional savings account. I mean I don't - savings account rates these days are hilariously 0.0% you know, just terrible interest on a savings account. But, so what you can do is you can earn a relatively stable savings investment by putting your money to work by giving it to borrowers. And borrowers on the other hand are consolidating their debts away from credit cards and are basically offered the lowest unsecured loan rates in history. So it's this incredibly efficient, beautiful - it just makes sense. This connection between people who have money and people who need it.

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FT: Sticking with the investor side, the key I've heard to making this successful for you as an investor is to diversify. Just as we say diversify in your portfolio, whether you're talking about you know, stocks, mutual funds. But in particular, I mean there are risks to this. People could default on their loans on the other side, borrows could never pay back and so you still face those same risks as you would in the real, kind of in the traditional banking world. So how diverse should you be?

[00:07:39]

SC: Yeah. So diversification is the most important thing that people need to do if they're gonna become investors on these sights. There's currently two sites where everyday Americans can become peer to peer investors, and that's Lending Club and Prosper. And on both of them, the most important thing to do is spread your investment across enough loans, that if one defaults, it's not going to send your whole earning totally into the pit. So there's kind of some talk about what that point is. You know, is it a 100 loans? Is it 200 loans? But generally, I would say it's probably gonna be 200 loans. Unless you want to stick with our safest AA or A-grade loans, then you can maybe put it in something like 80 loans. But what's so cool about peer to peer lending is it allows, the loans are fractionalized.

So what that means is, let's say some guys is, he needs - some dude in Illinois needs like a $35,000 loan. He can go on Lending Club and Prosper and say you know, "I need this big huge chunk of money". And then all these different investors can pile in notes of $25, $25, $25, and hundreds of investors can work together to fund that loan. And so when you go on with, let's say a minimum investment of $5,000, which divided by $25 notes puts you in 200 loans. That allows, because everything's fractionalized, you can just pick a little, pick up a little $25 increment of every loan that's on there and spread your entire $5,000 investment into $25 increments all over all sorts of notes. And what happens, this is what's so beautiful about our diversification, is if you're diversified enough, you start to mirror and represent the default rate of the investment as a whole.

So you no longer have to worry like, "Am I gonna do better than average? Or worse than average?" You can kind of look at, "What has been the average default rate at Lending Club and Prosper?" And by diversifying yourself well across, you know, 200 loans fractionalized into a $25 note in 200 different loans, you have the ability to kind of have some sort - now there's no guarantee in any investment of course - but you have some sort of prediction around how your investment is gonna perform.

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FT: Have you invested in this? And if so, what's been your success rate?

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SC: Yeah. So I am like, young, I'm only 32 years old, I have no kids. I'm like a, I'm allowed to take on more risk than most investors probably. So as a result, I personally have $20,000 invested in both of these platforms, and I've been earning around 10% on both of them for the last - let's see, I opened my first Lending Club account in 2011. So that would be 4 years. Now, most investors aren't going to take on as risky an approach as I am. So similar to the way that people grade all sorts of things in the financial world, Lending Club and Prosper loans are graded as well. They're graded with a proprietary grade, meaning that the companies assign their own grades to their own loans. And then you can kind of put your money in whatever kind of graded loans you want. Safe A-grades all the way to riskier E-grades, and then hopefully earn a higher return. Because the people whose borrowers are risker, meaning they have a higher chance of defaulting, they're going to give you a higher interest rate. And so as a result you can kind of earn a higher return by lending money to riskier people.

Now if you're - you know, let's say you're like 75 and you're in your retirement, you would definitely not wanna put your like entire savings into E-grade loans. And then what could happen is we have like a massive spike in the national unemployment rate, and your default rate increases substantially and you lose a bunch of money or something. That, we wouldn't want that. But for somebody in my age bracket, in my current situation in life, hopefully I do wanna have kids someday, and I will lovely put my grades down to a little lower than they are. But I'm on the riskier side of things and I've been earning a great return as a result of that.

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FT: I would imagine for borrowers on the other side of the coin, this is a huge opportunity. Particularly those who are carrying student loan debt. Specially if it's a private loan where it's a large interest rate, it might be a variable rate. Who are you finding, what's the profile of the typical borrower who's coming to these lending sites? And I wanna talk also about LendingMemo Media, because I think this is kind of the bridge right? This is where you go to kind of understand the world of peer to peer lending. But let's talk about the borrowers, because I think that's gonna be - that's 50% of the population here that's using these sites.

[00:12:08]

SC: Absolutely. So the average profile of somebody coming to these platforms and looking for a loan is somebody who is in credit card debt, they're paying you know, something like let's see here, I wanna say 19% interest is the average interest rate they're paying, maybe around 20. They are tired of this revolving line of debt which has a variable interest rate. So it can go up and down all the time. They have, let's say 4 or 5 different credit card bills that are all coming to their house at different times and they're looking to consolidate that. So what a peer to peer loan offers is one simple fixed rate, fixed term debt instrument that is typically 5% to 7% lower than what people are paying on their credit cards.

So, you know, what's so cool about the Internet is it allows - because it's taking this giant set of data from a borrower's credit history, it can put that into some sort of computational algorithm and it can give people a really accurate interest rate, which would still be a good investment for the lenders who are out there. So the average borrower is coming to the platform and saying, "Why am I spending 19, 20% on credit cards. I can push that all into one lump sum and have a fixed term where I guarantee in 3 years to be debt free. That sounds like a great deal for me". And it really is a great deal. These companies have really low late fees. You know, a lot of them are only charging like $15 if you're late. And if you're late on a payment, your interest rate never goes up.

So you have this - it's just a great debt vehicle. It's just a great way to take, you know, a bunch that's kind of been spinning around you in different variable rates and put it all into one place. And because it's a fixed term, pay it down over three years. And you can look at that date, and you know, "In 2018 I will be debt free". And I as an investor take pride in my investment because I know that, you know, 85% of the loans on these platforms are going to help get borrowers out of debt. So it's a good deal for both involved. Now there are a few people who are on the other - they're not necessarily consolidating debt.

So the second and third largest and most popular categories of borrowers are actually people who are doing home repairs, and people who are having some sort of medical procedure or medical problem that they're solving. So, like my brother redid his kitchen and he came to me and he goes, "You know, I put this on my credit card. Should I move the credit card over to a peer to peer loan?" And I was like, "Absolutely," you know? So that's another very popular category. But your question as to student loans, you know, that's a harder one because if the student loan is a private student loan and it's sitting there, you know, up at like 10, 11% then definitely, people should check their rate and see if they can get a loan - a loan at Lending Club and Prosper that can beat that. Unfortunately, most people with student loans don't necessarily have a developed credit history yet. And on top of that, the minimum credit score for these platforms for the very very best people is something like 6.68%.

So as a result, for people to have a better rate than their student loans, they would not only a) have to have a really good credit history already build up even though they're graduates, but on the second/also, these loans only go up to $35,000. And once you start taking out these larger loan amounts, your interest rate is naturally gonna go up as well. So that population isn't as served, although I know people have done that.

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FT: That's a really good point. I just wish there was something really, that was a solution for these student loan borrowers. You know, that was an alternative to what they're currently grappling with.

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SC: Sure. And I would suggest that those people actually look at all sorts of other alternative lenders online. I wanna say SoFi is a company out there that actually refinances student debt. But they of course, also are financing, I wanna say, to really 'prime' borrowers as well. So there are options out there for people to reconsolidate debt. But as for a peer to peer, person to person large-scale lending of money, this particular investment is not necessarily best served by that.

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FT: Right. Well Simon, you're young, you're millennial, you've started a company. I wanna know, what is your financial philosophy? I assume you have a pretty good handle on your money as well. Or you're learning at least how to do it. What would you say is your money mantra?

[00:16:32]

SC: My money mantra? I, let's see here. So I grew up in a family and in a culture which was really frugal. So we were all about like, you know, I remember as a child for dessert, you know, we would sit around the table and we didn't have hardly any money, my dad was in grad school, and as dessert we would take out - do you remember those frozen, cylinders of frozen juice that you would mix with a -

FT: Yes.

SC: Do you remember those? So we would actually like, for dessert as a family, we would take out one of those juice cylinders and we'd take out teaspoons and like carve off little chunks of fruity ice. And that would be like, you know, and then whatever was leftover you'd make juice out of. [Chuckles] So you're gonna use it anyways right? So it was like this way to fool your kids into thinking you're actually buying them dessert. So that's the kind of - I grew up in a very poor family at times. We moved ourselves up to middle class eventually just because my parents both got jobs. But my family, culturally, has really embraced frugality as a value. And so the car that I drive today, I drive a car I bought off eBay for $1,300. It's a 1998 Ford Escort, stick shift. I call it 'Prometheus' and it gets me where I need to go. It's, you know, I've had it for 7 years and it cost me $1,300. So this is the kind of, the way that I was raised.

On the other hand though, I've learned a lot about the frugality movement and I've actually come to be a bit of a - to see that there are some downsides to the frugality movement. Cause the traditional financial sense is spend less than you earn, right? So people who get into bad financial predicaments it's usually cause they're spending more than they earn. So when I was, you know, in college or whatever, I would read these financial blogs which were all about spending less. But they were never about earning more. And so I think that that was one thing that I learned later in life, is that yes, you know it is important to not, you know, eat ramen every day or whatever. But it is good to have kind of a frugal, simple way to enjoy life.

Mr. Money Moustache has been a big proponent of that. You know, why do you need to buy a corvette when you can just go for a bike ride in the park? I'm a big believer in that, but at the same time, you know, people - if they think that they're going to hit financial peace by like coupon cutting up till 1 in the morning, there's a certain floor to how far you can go. And they really, at that point, would probably be better served by getting a second job or doing something like that. Increasing their earnings.

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FT: I completely agree. And then you spoke of Mr. Money Moustache. He's been on the show, we've been very excited to have him here. He's episode 38 guys if you wanna look in the archives. He's fantastic.

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SC: I met him at a conference last year and I was just so delighted on his emphasis on the importance of story. Like he just, his thing is you know, just tell the story. It's not what you say, it's how you say it. And that has really been, it touched - I'm a writer, I'm somebody that's been writing his whole life - and just that re-emphasis by somebody who's actually in personal finance was actually really encouraging.

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FT: What was your biggest financial success to date? You're So Money moment? You're only 32, but I imagine you've had some, I mean besides of course building a business, but financially, personally, what would you say is the greatest money moment so far?

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SC: I mean, I hate to toot my own horn here, but it's to invest in Lending Club and Prosper. Like, I mean I dunno anybody who's my age who's earned a 10% return in investments for the last 4 years, right? Consistently. Like nobody has done that. So, you know, I don't have a lot of debt. I'm not one of these guys that like, you know "Oh I used to be in debt $20,000 to my Discover card and then, you know, I saw the light and came out of it." or whatever. I don't own a home, I'm a pretty simple guy. I do, you know, have a desire to have a home and family and kind of a more classically American life someday, but to this day, you know - it has just been phenomenal to watch, to be able to take money and put it into prime-rated, responsible borrowers and to, in fact, now Lending Club and Prosper both have automated tools. So you can even set your, their websites to automatically pick up new loans as the previous loans are paid back.

So it becomes this almost completely passive investment where you just sit back and, you know, I'm doing dishes at night, I'm waking up and going to the gym, I'm hanging out with friends, and all the way, not only are borrowers paying me back consistently and without a crazy default rate, but investors - I'm re-investing into additional loans as soon as those payments build up enough, right? So, you know, when I talk to my friends and family and I'm like, "Yeah you know, you can get started investing with very little money." Very few of them go, "You know that's actually something that I'd be interested in". Most of them are just totally dizzied by the stock market, and you know, don't even know where to begin regarding investing. But the average American, you know, 50% of Americans say they cannot afford to save for retirement, right? Retirement is a massive problem that's hitting our country and you know, similar to weight issues, or similar to mental health, the time to jump on issues is not later in life when things have all crystallized and gotten hard to change, but early in life when you're young and when you're flexible and you can change your philosophy and your lifestyle, you know.

So you know, being able to start as an investor already in my 20's through peer to peer lending was definitely one of the smartest and most exciting and most interesting financial decisions that I've ever personally made.

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FT: And so now of course I have to ask you about failure!

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SC: Sure!

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FT: What would you say is your biggest regret, financially speaking?

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SC: Oh man. That's a great question. You know, this is so silly. So I don't have any like massive zero to hero story. Like I mentioned earlier, I never like, you know, blew $3,000 on a timeshare or like you know, dropped $5,000 on a weekend in Vegas or anything like that. I have never, I don't have any massive - I'm a pretty regular guy who enjoys regular things, you know. So I don't have an expensive taste or anything like that so. But what comes to mind for me is when I was in college I had like no money. Like I was so broke, right? And I and a bunch of friends decided to go to the casino and we put $150 and lost it over the evening. And I was like, "I'm gonna get my $150 back". So I went to the ATM and I withdrew, you know, what little money I had and I'm like, "I'm just gonna put this on a single roulette wheel colour. So that's a 50% chance of just getting my money back, and I"m gonna walk out of here even." And of course, you know, I put it on red and black showed up and then I lost $300. And I think I thought about that loss for like, seriously for like 3 or 4 years. You know, it just was like, I felt so angry at myself and so frustrated.

So you know, the value of $300 is probably not a lot of money for most people, but for me, just the carelessness and the - you know, money is not worth living for. It's not, it doesn't actually give our life purpose. It doesn't make us happy. But it is a, it's a gift. And it's something that we need to be responsible with and we shouldn't waste. Because there's so many people in the world who need it, and we need it at points in our lives. So I think it was just the principle of being so careless, and irresponsible, and disrespectful towards my own self. You know, for some reason that $300 investment on a, or a big gamble on a roulette wheel just continues to burn me today.

[00:24:43]

FT: Yeah. I can relate, and I don't even know what the psychology behind this is, but I can say in my own life that I have sometimes been more reckless with money when I had less of it. When I had little of it.

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SC: Yeah!

[00:24:56]

FT: Versus now. I suppose it's because you want what you can't have and you feel like, "how much worse can it get?" [Chuckles]

[00:25:04]

SC: Right.

[00:25:05]

FT: You know what? It can get a lot worse, so don't push the envelope.

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SC: Right, yeah. No I, for some reason, I would say I'm the same way. Like I never really, or what you would do when you didn't have a lot of money - what I would do - is over focus on totally the wrong things, right? Like, "Hey I need to watch my finances so I'm gonna blow $300 on a roulette wheel and then eat beans and rice every meal because I, you know, wanna save money," or something like that. You know, where I would probably have benefited from you know, an unhealthy financial thing. "Don't go to the casino. Buy yourself some vegetables, you know, have like a more stable biology". You know, that's what I probably should have done, but whatever. We live, we learn.

[00:25:48]

FT: Absolutely. Yeah, you live, you learn. Well let's talk about habits Simon. What's a financial habit that keeps your money growing and helps you make decisions, financial decisions that are, that are healthy.

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SC: Sure. A financial habit. You know, probably two things. One is to keep it simple, and the second thing is to do an audit once in a while. So on the keep it simple thing, like how many automated billings do we have going on in our lives. You know like cellphones, we have cable, many people have TV, and you know. One of the things that I'm a real big believer in is, you know, just find a couple things that make you happy and focus on that. You know, try to make your bills and your own personal finances as simple as possible. And that doesn't mean cheap, right? That doesn't mean you gotta live like a college student, but just try to focus in on the few things that you enjoy, and then just try to cut the rest of it all out.

So like, every year I try to remove items from my apartment. Right, I live in this apartment, it's only 600 square feet. So I don't got a lot of space, so every year I'm trying to cut down on items to just make it simpler. And so I remember last year, I went down from 3 book shelves down to one book shelf cause I realized I hadn't been reading all these books. And my life felt like there was more breathing room and my apartment got bigger and all those things. On the one hand, just try to keep it simple. You know, so many Americans are paying so many bills in so many different directions and you know, instead of sticking to one thing that makes them happy, they're trying to be happy spread through five different hobbies and five different times of the month. That just sounds exhausting for me. So that's the first thing - keep it simple.

Then the second thing is, you know, I use mint.com. Pick up a mint.com account and you know, it doesn't have to be every day or even every week. But you know, once twice, maybe three times a year, go through your Mint account say you know, "Boy have I really been spending that much on coffee? You know, is it worth it to me spending that much on coffee?" It's funny, I'll talk to my friends and I'm like, "Yeah I just went into my Mint account. You wouldn't believe how much I just spent on X, Y, or Z". And their eye will grow and they'll be like, "Oh I never log into my Mint account. I would never wanna see that information". So it's almost like Americans are like scared of the truth about their own spending habits you know. So just be aware of where your money is going, and try to have it going in as few directions as possible. That's what I would say.

[00:28:22]

FT: Yeah. Consciousness goes a very long way. And it's hard to not be conscious because like you're right, we have so many automated accounts, bills going in one direction and we don't even know when they're due, when they get deducted. But yeah, I think you have to take a pause, and just reflect on what's happening. And sometimes you realize you're spending frivolously.

[00:28:41]

SC: Yeah. Yep. All the time.

[00:28:42]

FT: Alright we are almost wrapped here Simone. Before we go I like to end on some fill in the blanks. So I just start a sentence and you finish it. Don't overthink it.

[00:28:53]

SC: Uh oh!

[00:28:54]

FT: [Chuckles] Yeah. If I won the lottery tomorrow, $100 million, the first thing I would do is ____.

[00:29:00]

SC: I would put $200,000 into peer to peer lending is what I would do. I would put $100,000 in Lending Club and $100,000 in Prosper easily for sure. And I guess I would, I would buy a really nice laptop, right? Something fun. And then I'd put the rest, probably across some sort of like small, mid and large-cap index fund at Vanguard or something like that. Something boring. I'm a big believer in -

FT: Boring is better.

SC: Boring is better. Totally is.

[00:29:34]

FT: So I have to ask you, do Lending Club and Prosper, are they in business with you as well?

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SC: So we, one of the ways that my site pays it's bills is when people sign up for Lending Club or Prosper, they can go through an affiliate like my site. So yeah, I have affiliate agreements with both of these platforms. But that said, we hold ourselves to a pretty high standard of objectivity. So because there's two platforms we have the ability to kind of be neutral and not really be in the pocket of either of them.

[00:30:04]

FT: Right because they're competitive.

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SC: We really appreciate that relationship.

[00:30:09]

FT: The one thing that I spend my money on that makes my life easier or better is ____.

[00:30:14]

SC: Getting drinks with cute girls.

[00:30:21]

FT: Wow.

[00:30:22]

SC: Yeah. For sure.

[00:30:24]

FT: [Laughs] Would you use like a dating app? Are you into one of those, like Tinder or whatever they are?

[00:30:30]

SC: You know, I'm a big believer that, in America we have lost the art of going up to people we find attractive and just introducing ourselves. And saying, very politely, just saying "Hey you know, I just saw you back there and this might be kind of random, but I just have to say you're really cute and wanted to get to know you. What's your name?" You know, that is like - you know, before apps that is how people did it right? You would either meet people at a -

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FT: Before 2009 I mean.

[00:31:00]

SC: Yeah. You know like, just walk up to somebody. If they tickle your physical fancy, walk up there and just say hi and tell them you like their book bag, you know?

[00:31:11]

FT: That's such a novelty. Yeah.

[00:31:12]

SC: Seriously! And, frankly, it's a rush. So you know, and then you get to eventually buy drinks for people and have a really exciting quality of life.

[00:31:22]

FT: Are you in New York City?

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SC: I'm in Seattle.

[00:31:25]

FT: In Seattle, okay. My biggest guilty pleasure that I spend a lot of money on is ____.

[00:31:32]

SC: Dark chocolate! Done. Yeah I'm like, I eat dark chocolate probably every day.

[00:31:38]

FT: What's the most expensive, what's the highest price you've ever spent on chocolate?

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SC: $5.99.

[00:31:44]

FT: Oh. Wait, 5 dollars and 99 cents?

[00:31:47]

SC: Yeah. $5. No I'm not one of these like, you know, people who like rare Costa Rican blended, you know, $800 bar flown in with whatever, no. Like I, I go to the grocery store -

[00:31:58]

FT: You're like Toblerone guy! [Chuckles]

[00:32:00]

SC: I'm above Toblerone. I will say, I am above that. At least Toblerone's above like traditional like Reese's. Although, I will eat a Reese's once in a while because they're delicious. But, no my favourite thing - Seattle is known for really delicious coffee. So the Seattle Chocolate Company has these chocolate bars where they put black berries inside the chocolate, the dark chocolate bar. And it is so good! I have, I don't even wanna know. All of a sudden I'm talking like my friends regarding Mint. Like, do not tell me how much I've spent on Seattle Chocolate Company blackberry dark chocolate bars because it would just be hilarious. I can you know, yah. So that's my, I feel it makes me healthy, but that's my pleasure.

[00:32:46]

FT: It does. Yeah, in moderation. And you should become an ambassador for them.

[00:32:48]

SC: [Laughs] Yeah.

[00:32:50]

FT: You'll get free chocolate.

[00:32:51]

SC: I'd be like the Marlboro man. Decades later I'd be dead. So that's not good.

[00:32:55]

FT: Death by chocolate!

SC: Yeah for sure.

FT: One thing I wish I'd known growing up is ____.

[00:33:02]

SC: Earning power. You know, I grew up in a family where I think that the frugality was emphasized above the ability to earn. And that's good because, you know, the secret to financial health is spend less than you earn. So let's be honest, like 90% of Americans spend way more than they're supposed to and need to reduce their quality of living or however you would say this. I think that you can have a great quality of living with very little money, but whatever. But one thing that probably didn't learn as much is we have, take on a second job, take on a third job. Do it with peace. Make sure you're mentally healthy. I'm a big fan of therapy myself. Get out there and, you know, one of the most beautiful things about this country America is that there's so much potential to make money in this country. I mean people, I dunno if you've ever lived overseas, but you know, I lived in East Africa for 3 years. And the red tape and bureaucracy to try to start business and to try to - and the economies in these other countries are very difficult.

So it is a huge benefit and privilege to live in this country. You know, I don't wanna get all like red-blooded American on you or anything like that cause you know, that's a whole other conversation. But I do believe that this is a land of opportunity, and if people want to, just try to get out there and get another job. Do something on the side. You know, I'm a big fan, there's this blog I read called Gen-Y Finance Guy, and he just recently had a blog post called "The Anatomy of the Side Hustle". And I'm like, "That is exactly what I wish so many of my friends would pick up, is you know, the side hustle". It's a beautiful concept. And boy, it's so much better to - when I see people working on a side hustle and they're making, you know $25-$30/hr versus clipping coupons till late in the night, you know, making what? 25 cents/hr. So it's just, yeah.

[00:34:59]

FT: And when you're young is the time to do it because you've still got that college body clock ticking. you can stay up late and work crazy hours. You know, I can't do that anymore.

SC: Yeah. That's right. Absolutely. You know, even through the end of their 30's, early 40's. This is an incredible place to try new things, you know. And obviously if you're in your 40's you can't bet your life savings like you could when you were in your 20's, but it's an incredible country. And the Internet has lowered the barriers of entry to start new things in incredible ways. You know, I wanna say that my business, that LendingMemo Media's initial year costed like I wanna say, the first 6 months it was like $70. That was my overhead! So it was, it's pretty nice. The Internet is an amazing place to try new things.

FT: Well yeah. It's a money-making engine. And last but not least Simon, I'm So Money because ____.

[00:35:56]

SC: Because I can - [Laughs] Can you explain to me what "So Money" means?

[00:56:06]

FT: Well it's whatever you want it to be, but I like to - it's a metaphor to being financially savvy, or just you know, whatever. It's a 'je ne sais quoi'. What can I say?

[00:36:14]

SC: Alright, I'm gonna take it. I am So Money because I stumbled upon peer to peer lending early in 2011 and have had the privilege and the luck of knowing that this thing existed, and the privilege of earning great returns over the last four years. And I wish that more people would get involved, because it is a great way to put excess cash to work across an additional asset class.

[00:36:40]

FT: Well everyone, check out Simon Cunningham. Check out his wonderful, wonderful site - LendingMemo Media. Thank you so much for the work that you do and the education. We really appreciate it.

[00:36:54]

SC: Hey, it’s my pleasure.

[END]