EPISODE 1366

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FT: So Money is brought to you by CNET, the site that shows how to navigate change all around us. So Money episode 1366, how to invest in volatile times with Amanda Holden, Founder of Invested Development.

> *"***AH:** *You're not doing it wrong. I think that so many folks don't realize that when we invest in, let's say, just like a Broadway, like we buy a fund that invests you across the entire stock market, then what you actually want is for that fund to perform exactly like the stock market, the good, the bad, the ugly. Because what do we know, you alluded to this earlier, is that the market is up. And by market, I mean the stock market is up way more than it is down."*

[INTRO]

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FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. It is Monday, June 6th, and today we are talking about the stock market. We might be taking a look at your 401(k), your IRA, your brokerage account and freaking out because the Dow was down over 10% since the beginning of the year. The NASDAQ is down about 22% Since January. So if you're a first time investor, especially, this could be your first really rocky stock market, the first time you're hearing about possibly entering a recession.

In these sort of uncertain times, I have found that even the most rational human beings make knee-jerk emotional moves to their portfolios, and that can be really, really costly. It can feel really good in the moment. But long term, it's a mistake, and it is regretful. So to help us navigate this very uncertain time is my guest today, Amanda Holden. She is the Founder of Invested Development, where she's helped over 20,000 women learn how to invest. Her bread and butter is breaking down topics using metaphor and humor. I really enjoy the way that she talks about money. It's so inviting, it's so inclusive, and it's kind of fun. She makes it really easy to understand. She's going to talk about the volatility that we're seeing right now, what causes it, how to handle it.

One of my favorite quotes from our conversation, she said, “You know what? You're not doing it wrong if your portfolio is down. Overconfidence is detrimental. It is the original investor’s sin. So anyone who thinks that they're going to be able to outpace come out on top in these next few months stock market-wise, well, good luck to them.” Here is Amanda Holden.

[INTERVIEW]

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FT: Amanda Holden, welcome to So Money.

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AH: Thank you so much for having me.

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FT: I really am so happy to have you on the show, especially now, Amanda, because we could really use your perspective, your voice, your humor, all of it as we try to navigate through this very weird time in our economy, in the stock market specifically. I know you helped so many women get a hold of the investment world, which is something that we're often late to. But I'd also love your own personal story of how you even just got here, initially working in investment management. You were tired, as you say, of helping rich guys get richer. So when did you realize like, “I'm out of here”?

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AH: Yeah. Okay. So it was such a January 1st moment where I was like doing a little intake, and I was like, “You know what? I have got to get out of here. I am killing myself. I hate the work. I'm drinking heavily after work. So I just need a major change.” At this point, I just decided, “You know what? I'm going to save up all my money, so I can essentially quit and leave forever." I thought I would leave finance forever because, like you said, my job at the time, I was working – My role, I should say, was as an investment counselor. So I was working with our firm's high-net-worth clients, and answering questions about the market, and keeping them apprised of portfolio strategy, and basically doing a lot of hand holding with old rich guys all day. It was a really great job, and I learned a lot. But like you said, it kind of made me want to die inside.

So I got out of there and thought I would leave finance altogether. But I just had this idea that was kind of gnawing at the back of my head, which was I have been helping all of my girlfriends with all of this stuff. I decided that maybe my work here wasn't done. So I turned around, came back, started my business, which is called Invested Development. My purpose, what I do with my business, is teach not just women to invest, but really anybody who has felt left out of these conversations because these conversations have historically been reserved for one very specific type of person, and that is the people that are already wealthy. So my work is to democratize this information, to be a translator, and to give it to all of you, all of your listeners.

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FT: I love that on your website someone quotes you as, "She's Suze Orman meets Broad City."

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AH: Right? So good.

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FT: Have you ever worked in comedy? Because you're hilarious, and you're really great on your feet and quick on your feet.

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AH: No, and that's so nice of you to say. I even kind of recoil at advertising myself as humorous because like what if I'm not?

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FT: Trust me, you are. You are. Well, speaking of these conversations that you were having with your girlfriends and it inspiring Invested Development, what are the conversations you're having right now? What's the mood?

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AH: Well, the mood is dour. Understandably so, we're in a really tough time economically. Then also, the stock market is not doing very well. So as of this recording, when we're looking at both the economy and the stock market, they are both what we would describe as down. Now, what does that mean? The economy is a little bit different than the stock market, right? The stock market is just that. It's just a marketplace for stocks, which are shares of company ownership. So you might see, for example, your 401(k) losing value this year. That's because your 401(k) is probably investing you in the stock market via mutual funds. We've got that. That's one element, and that's kind of my area of expertise is coaching people through this type of volatility.

But there's something else happening right now as well, and that's what's going on in the broader economy, which the economy includes the stock market, but it's so much bigger than that, right? It includes everything. It includes your job. It includes the rent that you pay. It includes the box of Kraft macaroni and cheese that you ate last night for dinner. It's everything, and it's significantly more important than the stock market because we're talking about our ability to earn an income. We're talking about the safety of our jobs.

Right now, there's a little bit of a debate as to whether we are officially in a recession or not. A recession is technically defined as two consecutive quarters of negative GDP growth, which whatever. If you're in a personal recession, then you're in a personal recession. If you're worried about your job, then you're in a recession, right? So the first and probably most common question that I'm getting right now is what do I do if we enter a recession? My answer to that is take care of yourself right now. So whatever that means, whether it is beefing up your emergency savings, getting a handle on your spending. What is it that you're going to need if you do lose your job? What are the measures that we can take to save your job, to save your income? What are the conversations you can be having with your work? That's the first and most important thing is we take care of ourselves right now.

But I'm also then getting the conversation about how do we handle our investments. So that's kind of a different conversation. That one's actually a little bit easier. You don't have to do anything.

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FT: Yes. Interesting because I wonder if this is a lot of your audience, Amanda, but I was reading not really a step but just like a reality check, which is that for so many of the first time investors, those who are in their 20s, for example, or even early 30s, this is if we do enter a recession, it would be their first recession as an adult person working. That's an important distinction because what helps a lot of times people make more rational choices when it comes to investing in all sorts of financial moves is to have perspective and to have that historical lens.

I'm writing a piece right now, for example, just showing these different charts throughout time and how, yes, when you zoom in, there's volatility, and there's periods of slump. But the charts trend north. They favor one direction, and that is up.

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AH: Absolutely.

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FT: It's important to remember that, and I worry that sometimes the younger investors don't have that perspective or don't even know to look at history as a source for not so much like what to do next. But context is important.

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AH: 100%. It’s not just young investors. All investors tend to be very myopic. By that, I mean focusing on what has happened year to date. When in reality, what has happened year to date doesn't really actually matter that much. Because even if you think about your investments taking a dip over the course of, let's say, three or four months, and now the value or the price of your investments is lower, what does that tell us? That really only tells us what you can get for that investment if you needed to sell it right now. But especially for young investors, we're not investing to sell those investments right now. So like you said, it helps to take a big step back and zoom out and look at broader trends in the market.

But that's not really the way that our brains work. So this is one of the reasons why if you ever take a course with me, having – So I started working in investment management in 2008 before the crash. So my first experience in the business was working through the second largest stock market crash in history, which was 2008, where the US stock market lost 55% of its value. I saw firsthand the damage that this does to people. Again, I was working mostly with high-net-worth men, and these are men that figured out how to make a whole lot of money during their lifetimes, and they absolutely lost their shit. Sorry to use that terminology. They lost their shit when we went through this market, and they did the exact worst thing at the exact wrong time, which is bailout at the bottom.

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FT: So it happened to the rest of us in terms of the best – I’m using air quotes, giant air quotes. Best investors, they make a lot of these blunders.

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AH: Oh, yeah. Well, I don't know, Farnoosh, if you heard the news out of MIT last year, I believe it was, is that middle-aged men who claim to be savvy investors are actually the ones most likely to freak out and bail at the worst of times.

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FT: Wait. They aren't supposed to be emotional.

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AH: No, no, no, no, right? Yeah. I'm not like celebrating this news, per se. But it does mean that like while they're over there roleplaying Wolf of Wall Street, women investors can sneak attack the market and quietly build up world dominance. That's –

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FT: Is it because of their egos, because this and the fragile male ego?

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AH: You hate to paint an entire gender with a broad brush. But I do think that there is a lot of pressure on men to be the ones who figure it out and to be the ones that are the providers. That's my most gracious take. I also do believe that men tend to be overconfident when they are investing, which is kind of like the original investor's sin. It's great for getting into the game, but it can actually backfire strategically. I think that men tend to think that they know more about investing than, say, like the average woman or the average non binary person. But the thing is they don't. You do not know more than the entire global investing collective, and you think that you're getting really cute by placing that trade. But trust me when I say that you don't know more than everybody else.

So this overconfidence bias is something that we see is really detrimental to the performance of your investing portfolio, and it's something that men tend to indulge in more than women do.

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FT: I really liked that piece of advice, the way that you characterize that. Because, yes, we've – There are so many important tenants to remind ourselves about when it comes to investing. Stay the course. Diversify. Manage your risk. Don't make knee-jerk reactions. But I love this. It's okay to be not confident. Can you talk a little bit more about this? Because this is actually – As women, we sort of feel like this is our downfall. Oh, but I don't know all the answers. Oh, but I don't know where my stocks are going to go. Oh, but it's too risky, and I'm not confident. This is actually a good place to sit as you are plotting your investment strategy because what does it inspire? Questions and a little bit of like letting things go because you can't control everything.

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AH: Absolutely. One of the most important things that I teach, and I was going to even say this earlier, I am obsessed with teaching about volatility. I think that I don't want to drag any financial influencers on social media down. But encouraging people to get invested, even if it's in like a broad, low cost way, like buying an index fund, or by using a robo advisor, is great. But if you are not talking to your investors about risk and volatility, you are doing them a huge disservice, and you could actually be doing more harm than good. Because handling this type of volatility is going to be imperative to your long-term success.

Luckily, for women, it is something that we tend to be better at because we don't freak out when things get bad, and we do tend to sit back and let things marinate for a bit before we make a jump decision. Whereas I think that, again, painting with a broad brush here, but we're all contending with, I would say, very innate forces that exist within us. We all have these like beautiful cave people brains that were designed to keep us alive for many, many 1000s thousands of years. But they are very mismatched with the task of dealing with capital markets, which are an incredibly recent development.

When we see something that is presenting danger to us like our nest egg that we've been working so hard to build up, when we see it lose value, we are chemically driven and hardwired to do something about it, right? Like the stock market is hurting you, like kill it, right? Stop it. Stop the bleeding. I think that women in general are just better at thinking through that pain rationally. So it is a very good thing and, like you said, it's also a good thing to start with questions and to start with education and know what it is that you're getting yourself into. That's only going to benefit you over the long term.

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FT: You said do nothing. Is that it? Is the show over now? Like do we just move on to the next episode or – I'm sure – I'm joking here. I'm trying to be funny like you. It's not working.

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AH: No. You're so funny.

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FT: Maybe we can get into real tactical here. If I was one of your clients or someone who's just coming to you and saying, "Hey, man. I'm freaking out, and I've got a 401(k). I know. I know I'm not supposed to really care so much because I have a long-term plan. I'm in my 30s." I'm not. This is Farnoosh speaking. What's the checklist?

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AH: Sure. Sure. The first thing I would say is you're not doing it wrong. I think that so many folks don't realize that when we invest in, let's say, just like a Broadway, like we buy a fund that invests you across the entire stock market, then what you actually want is for that fund to perform exactly like the stock market, the good, the bad, the ugly. Because what do we know, you alluded to this earlier, is that the market is up. By market, I mean the stock market is up way more than it is down.

But you don't get to participate in that upside if you don't also hang on through the downturns, which are pretty inevitable. What we see is that good markets last about anywhere between 5 and 10 years. We call these bull markets. Think of like the bowl on Wall Street. It's kind of a sign of good times. Then the bear markets, the bad markets, I like to say they like leave you feeling bare, is going to – Those are, again, like every 5 to 10 years, and they only last between like two and three years generally. But they do come because the nature of this world, the nature of economies, the nature of growth is always going to be cyclical.

Growth never happens in a straight line up and like even think about it in terms of your own life, right? Not every year is going to be a banner year. It's always two steps forward, one step back.

In fact, when I'm teaching, I like to compare everything to my dating life because I just – Who doesn't like to talk about my dating life? So what I tell my students is like if the market is not – We often hear that the market is up 10% per year. The stock market's up 10% per year, but it is never going to be delivered to you in a pretty little package on December 31st of each year, sitting at your doorstep 10% tied up in a bow. It is much more likely that you're going to have a year that's up 20%. Then you're going to have a year that's up to 2%. Then you're going to have a year that's maybe negative 20%. But over time, it averages out to about 10% per year.

So like same with my dating life, like some years I hook up with like 10. I should say some years, I hook up with like 20 dudes. Some years, I hook up with like two dudes. Some years, I hook up with like negative dudes. But over time, it averages out to like 10 dudes per year. **[inaudible 00:18:45]** this year. It's so good.

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FT: It's not – What is it? Size doesn't matter. It's just about quality and what you learned.

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AH: The motion in the ocean, Farnoosh. Is that what you're trying to say?

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FT: Wow. I'm getting a lot of interesting investing tips here. Well, Amanda, I know we're not really supposed to be focusing too micro on investment sectors. But I'm reading a lot of frightful things about tech and how tech is really headed for a moment of reconciliation because there's just been too many years of frothy growth, high valuation. Where do we see layoffs happening? Well, a lot of people are calling out the tech field first. Sorry. My daughter – Coco, I'm on a podcast. Everyone's got COVID in my house, so we're all –

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AH: Oh, no.

[00:19:42]

FT: I'm getting over it. Okay. So what was I saying? In terms of – We know tech runs the world right now. When it comes to stock market movements, we see it's like Alphabet, Meta, whatever, and Amazon. Those are the big heavyweights. So do you think that we're headed for a more prolonged market volatility period than usual? I'm only asking because I know we're not really supposed to be so obsessed with it. But it's on a lot of people's minds. It's why I think concerns are so high right now is because, well, things are good now. I mean, relatively not good in terms of where your 401(k) might be right now but if you've still got a job and all that. But it's more of a where we're headed. Any sense of where we're headed and how severe it may be compared to like the 2008, 2009 crash?

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AH: Sure. So it's impossible to know. It's impossible to make these short-term predictions. There's really no combination of data points that you can look at and analyze to project into the near term future. Again, two separate things, right? We have the concerns about a recession and people potentially losing their jobs. To that, I say there's always a recession coming. It might be next year. It might be in five years. But there's always one coming. So it's always a good idea to try to set the panic aside and just take the steps for the recession planning that you would do anyways, right?

Again, saving up some emergency money is an obvious one. Trying to think of what it would potentially take to save your job. I mean, maybe that even means walking into your boss's office today and say, "What are the measures that I – What are the ways in which I can help to save this company? What are the initiatives that will save this company if we do see a tech downfall?" Or whatever it is so that you can be so essential and so involved in the long-term viability of your company that you keep your job, right? So that's the recession piece of it.
But I think what you're asking about is the stock market piece. So tech as an industry has always been historically more volatile on average than most other sectors but almost every single sector. By the way, sector just means industry. That's just investing parlance. But there are always going to be sectors and industries that are more volatile and others that are less

volatile. So for example, a volatile sector is consumer discretionary spending, right? Because when times are good, people buy Louie Vuitton bags. When times are bad, they do not buy Louie Vuitton bags.

Compare that to something like consumer staples. Consumer staples are like toothpaste. You're always going to buy toothpaste, no matter whether the economy is good or bad. So consumer discretionary spending, that sector is much more what we call cyclical. It's much more volatile. The highs are higher, and the lows are lower. The same goes with tech. Tech has really buoyed the performance of the overall stock market over the last decade. So a lot of the really huge returns that many of us have had and enjoyed within our 401(k) have been driven by the tech sector.

But at some point, it's going to need to blow off some steam. So, yes, we might see a crash and it might be prolonged. But that doesn't necessarily mean that the tech sector is broken. It just goes through these big dramatic growth cycles. It's like definitely the selling sunset of all of the stock market sectors like high drama on either end.

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FT: That's a really great reminder too, yeah. So we may see a prolonged period of down arrows in this tech sector. But we also have to remember that we had some stellar years before that. So in the long run, the chart, again, will still be north and maybe not as steep, but you'll have benefited from sticking with it.

Crypto, this has to be something that a lot of your constituents come to you asking about, and we want more women to be educated on cryptocurrency. But what's your thesis on this right now, especially as we look at the recent crash? I feel one of the best analyses that came out of it was like now we're seeing who's really wearing the clothes in the crypto space. There's so much uncertainty. I think my audience knows my thesis, which is just if you're curious, learn about it. But I don't have an investment strategy on this. I have a gambling strategy, which is like just throw some money at it and see what happens. Money that you don't mind losing.

But I like to go to the casinos too from time to time, and I mean like once in a blue moon, and I'll play like the price is right slots. That’s my bitcoin for you. So what's your thesis?

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AH: Yeah. At least you get free drinks when you do that.

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FT: Right?

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AH: My thesis is probably very similar to yours. My personal feelings aside, as an investment educator, really all you just have to remember is that it's high risk with a potentiality for high reward, right? Just like the tech sector, any sort of investment that you are analyzing, you have to remember, risk and reward are always two sides of the same coin. You do not get to have one without the other. Any chance you have to double your money immediately means that you could also lose it all immediately.

Any investment in crypto in any one coin, you just have to assume it's like that sparkly clutch that you take out on a Friday night. You could lose it in a taxi, right? It's very possible that all of that money –

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FT: Especially if there are drinks involved.

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AH: Especially if there are drinks involved. So here's the thing about crypto, right? The success of any one cryptocurrency will be determined by our collective belief in that cryptocurrency, which is a really difficult thing for any of us to predict. So I don't discourage folks from investing in cryptocurrency as part of their overall strategy. But for me, at least, it is an extremely minimal part of my overall strategy. I invest about 4% of new money into crypto and that's it.

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FT: That's fair. Well, speaking of strategy and diversification, for somebody who is, again, starting out and whether they do or do not have access to an employer 401(k) wherever they're starting, what's the best diversification approach? Are you just buying an index fund that tracks the S&P? Or should you do more?

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AH: This is a great question. Farnoosh, I tend to be an over explainer, but I even like to take a step back and remind people that the universe of investing is not without limits. Like there are only so many games in town. Really, the primary different types of investments that you can invest in are stocks and bonds. Then, of course, there are other asset classes like crypto or like real estate. But especially when we're talking about investing within, say, a 401(k), we're talking about stocks and bonds, folks.

I remember when I was working in investment management, and I showed up like on the first day. I was like, “Oh, I'm going to have to memorize so many things.” The guys are like, “Actually, there's only two.” I was like, “Yes, I can handle two.” But what we also then have are these funds. So whether it's a mutual fund or an exchange traded fund, those are the two different ways to construct a fund. It’s just a big old basket of some other investment type. So a big old basket of stocks, or a big old basket of bonds, or a big old basket of real estate holdings, or whatever it may be.

A really simple way, like you said, is to immediately buy a fund that is going to invest you in every single, for example, stock in a marketplace. Whether that is an S&P 500 index fund, which buys you the 500 largest or, we say, leading stocks in the United States, or you buy like a total US stock market index fund. Voila, you now own every single stock in the United States, and you are perfectly diversified. So then whatever the stock market does, you will do as well, keeping as much of those profits in your pocket as possible, giving as little to the banks as possible.

That is why we like index funds. Index funds, you can buy them in mutual fund or ETF variety. Essentially, what they are, is just investing you across an entire market for a very, very low cost. So that is a really great starting place is to buy something like a US stock market index fund, no matter which one you choose. They're all going to perform pretty similarly over time. But your question is, is that enough diversification? Well, that is – You can't be more diversified across the US stock market, but do you only want to be invested in the US stock market is the question.

I think most people would want to integrate a little bit of international stock market in as well. Potentially, some bonds as well. People are really hating on bonds right now, but I think that, again, for newer, younger investors that have never been through a crash, having some psychological cushion via a bond fund might not be the worst thing in the world either.

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FT: All right, we're going to leave it at that, Amanda. Thank you so much for joining and bringing, as I hoped, as I knew, your strategy, your advice, your insights, your levity. I love it all. I love the package. I love the bundle. I love the Amanda Holden deliverables. I want everyone to go check you out. But you tell us where you're spending most of your time these days.

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AH: Yeah. So most of the free investing education happens over on Instagram, but I am on TikTok and YouTube as well. Come find me and that's going to be your portal to everything I offer, including my full investing course, which is called Invested Development.

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FT: We'll be there.

[END OF INTERVIEW]

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FT: Thanks so much to Amanda for joining us. To check out her work, go to Amanda-holden.com. She's also on Instagram @dumpster.doggy, tens of thousands of followers. Thanks for tuning in, everybody. I'll see you back here on Wednesday, and I hope your day is So Money.

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