EPISODE 152

[INTRODUCTION]

[00:00:31]

FT: Hello everyone. Welcome back to So Money. I'm your host Farnoosh Torabi. So did you ever wish that you could predict the future? Um, yeah I have. I mean, it would kind of a pretty awesome superpower. Well, today's guest is a futurist. Did you even know that was a profession? He's not a fortune teller, he's actually a professional futurist and is very much on the cutting edge of thought leadership surrounding sustainability, and his name is Eric Lowitt. He's doing incredible work as a self-described volatility advocate and expert. He, like I said, he's a futurist, he's a thought leader and the CEO of Nexus Global Advisors. It's an advisory firm that works with CEO's, senior public officials, and leading executives on strategy, collaboration, sustainability, volatility, and business models of tomorrow. And if you're running a business today, what are the forces at play that you may not even see that would likely impact your work and your goals.

Eric is the author of two ground-breaking books. His next book is call "The V Quotient: How to Thrive in Our Fractured World". It's highly anticipated. It's coming out mid-2016 and prior to being with Nexus Global Advisors, Eric was a consultant and advised companies for 20 years with Accenture, Fidelity Investments, Deloitte Consulting. He got his MBA from Wharton, and he's been named one of the top 100 thought leaders in trustworthy business for 4 straight years. He's kinda smart, kind of you know, so I had to put on my special thinking cap during this interview. I hope I succeeded.

Several takeaways from our time with Eric: What is means to be volatility expert - talk to me like I'm 3 Eric cause I'm kind of new to this territory and I think some of my listeners might be too. We're not dumb [Chuckles] but we're just kind of unfamiliar with this kind of work. So we know what volatility is obviously, but how do you become a volatility expert. Learning about money as a kid - Eric has some very interesting stories about how his father built a kind of money tree in the backyard. It was funny, but also chock full of lessons. Eric's met a lot of prestigious people in his life, namely he had an opportunity to meet president Bill Clinton, and in telling that story he talks about the big splurge that he made before meeting and shaking his hand and why it was worth it.

So this a really great interview. I can't wait to unleash it. Here we go, here is Eric Lowitt.

[00:03:11]

[INTERVIEW]

FT: Eric Lowitt, welcome to So Money.

[00:03:16]

EL: Farnoosh, it's a pleasure to be here. Thanks for having me.

[00:03:17]

FT: Yes. I really wanna pick your brain because I feel as though you are really the cutting edge, you're doing amazing work in an area that, I think for me I'll be the first to admit and I think probably many of my listeners, there's not a lot of education and knowledge around. Maybe we need to hear it from you as far as what is it that you do. You are a volatility advocate. What does that mean?

[00:03:46]

EL: So volatility advocate just means this: when we go through our days we run into so many situations that challenge us, that challenge our understanding of life, and the world. It can be as simple as, you're commuting and the car in front of you cuts you off without using their blinker. And that sort of change, it's change to your mood, and change to your outlook for the day. And we typically, when we're faced with change, we typically look at change as a bad thing, right? We look to maybe try to survive it. We hear in business people use the world "resiliency" as a way to survive change, or what I call "tread the waters of change". I'm actualy somebody who sees change as a really good thing. Change in and of itself may be a bit of a tired word, but the idea of being able to position yourself - whether you're a career-minded individual or an executive of an organization- to actually benefit from great change in a great way, is something that I think is gonna differentiate people tomorrow from people today.

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FT: And why did you decide to make this your all-encompassing career task, your career vision, your agenda? Why volatility?

[00:05:01]

EL: To answer that I've gotta give a little bit of context. So I come from a long line of doctors and psychologists. So I could be eating dinner as a kid with my left hand instead of my right and have both my parents ask me, "Hey what's wrong? Did you have a bad day?" So I thought, "Gosh, alright. There's something more to the world than just what I see. There's more to the world here." So over the course of high school and college I challenged myself to get out of my comfort zone by going to Japan and living in Japan all through college. Got a degree from a Japanese university, took all my courses in Japanese. Japanese students, economics, lit, you name, it I did it. So by the time I went into the business world after graduating from college, I had this sort of dual life. I had this American life and I had this Japanese life. I had dual perspectives. And then I had the psychologists insight of, I could see situations in non-conventional ways.

And that overtime has translated first into a 6 or 7 years in the field of sustainability. And then from there, working with companies and individuals to figure out why is it that when they encounter disruption in their life, why is it that they typically suffer? Why can't they thrive in the face of disruption? So I've taken that as sort of a life passion now because it ties so directly to my childhood, my upraising, and the last 3 decades of my life.

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FT: Right now, what is the biggest struggle that you see, that your coaching clients ask that seems to be coming up time and time again?

[00:06:37]

EL: I think there are two. One is this mindset that disruption, change, volatility, whatever you wanna call it, automatically equals "bad". It's kind of like when you're at a traffic light and you see the green, and green means go. And then all of a sudden if somebody told you, "No, green means stop and red means go," you'd be really confused. And so part one is this mindset, and the change of mindset that I've been working with with the executives I coach right now. The second piece then, the second biggest challenge is in understanding how does one thrive when faced with volatility? To do that you need to first understand what volatility is and where it comes from. So working through that notion of "what is volatility? How do we wrap our hands around it? How can we predict what happens before it happens? And then how can be prepare ourselves, whether in our career or in our organizations to thrive when X, Y, or Z that we forecast to happen actually happens?" That's the second big challenge I'm working through right now with executives and companies.

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FT: What's been the reception? Are people resistant to this? When I talk about volatility they usually say, "Well the Stock Market is volatile. That's a scary thing."

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EL: Oh gosh, absolutely is. And I'm sure many of the listeners are skilled in being able to hedge their investments, whether you're using options or other types of trades where you've got one negative beta and you're putting it against one positive beta to try to hedge as best you can, or minus 2, plus 2. You know, the reception actually tends to be rather positive. And it's in part because many of my clients are coming to me after going through some period or crisis, or some crucible if you will. So they're coming to me at this point and saying, "Hey, I burned my hand touching a really hot pan. How do I make sure" - that's a metaphor - "How do I make sure that that doesn't happen again?"

[00:08:30]

FT: [Laughs] No that actually did happen, didn't it?

[00:08:32]

EL: Well, that actually has happened, but it happened to me and I actually looked at my wife and I said that. She said, "That's why you make reservations when you cook Eric".

[00:08:39]

FT: Yes.

[00:08:39]

EL: [Both chuckle]. But the reception's been really positive so far. It's been positive in the "Let's go" and then it's been difficult again in both the mindset and in helping understand and see what drives volatility.

[00:08:52]

FT: You are the author of "The Collaboration Economy". I'd love to just brag about this for a second. You believe that we need a new economic model if we're to secure our future. So in a nutshell, what does the collaboration economy promise?

[00:09:10]

EL: It promises that we can solve our world's most vexing challenges in ways that companies, individuals, governments, and non-governmental organizations can all profit, both financially and reputationally. So I'll give you a very quick, easy example to see this. You are the major of the city of Los Angeles. You're completely bankrupt financially but yet you still have the responsibility of providing power to your citizens. So without any money, how do you do that? If you're the major you now reach out both to the public sector, to the markets as well as to individual companies like GE and Johnson Controls - two examples of companies in the space -

to create a way to shift from traditional street lights, to LED type street lights that will be greener and cleaner for the environment, but also drive cost savings that can be forecast commoditized and therefore yield long term cash to your investors - in this case, the GE's the Johnson controls, and other types of organizations. It's that sort of out of the box thinking about problems that yield solutions to our most vexing challenges.

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FT: From an individual standpoint thought, what can individuals do? A lot of my listeners wonder how they can be more collaborative in their financial choices and be more influential, have more a social impact. What would you say to that person who wants to kind of get more involved and feel like part of a bigger fabric?

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EL: You know, there are some really easy ways to do it. Whether it comes in the form of ride-sharing, whether it comes in the form of sharing assets that you have that you don't use very well. I'll give you a great example of that. My wife and I and our family live just outside of Boston. A family neighborhood, 30-40 kids running around here among a development of 60 houses. Yesterday we had a block party and it blew me away to see how many people were talking about things like, "Oh, wasn't the winter really bad? Well did you know that I've got a snowblower and you don't need to buy one. You can use my snowblower when I'm not using it. Or better yet, I'm delighted to just do it for you and have the kids do it." It's just simple things like that that don't cost money, and not only don't cost money, but literally save you money while saving the environment while giving you access to the types of assets you need to live your daily life better.

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FT: You're kind of a futurist in a way cause I feel like what you're teaching and educating and coaching people and executives on is very unique. It's very, as you said, higher level thinking in a way. You've been named a thought leader, what is next? Have you thought about that? I'm sure you do. What's the next thing? What's the next next thing? If it's not, you know, moving away from volatility, what's next?

[00:12:10]

EL: Next is where we start to work with a clean sheet of paper to say, "What will industry look like?" A clean sheet of paper to help us figure out not "how do we fix government with the system we've got", but rather "what would ideal government look like?" And then work backwards to try to find ideal presidential candidates - we're coming up to the 2016 election, as an example - informed with this vision of what a strong country could be. And try to find presidential candidates who instead of being interested and satisfied with ripping into one another, who would be more interested in talking about vision and goals and goal-setting and what it takes to actually solve problems collaboratively. We're on the cusp of this historical inflection point where the volatility that we've talked about, sort of we've touched on, is colliding.

There are 4 drivers of volatility. There's geopolitical, just as we see it with countries in conflict. Ideological, the conflict of free speech versus religion, we saw that with Charlie Hebdo, for example, in January. Technological disruption, and ultimately, ecological disruption. So there are those 4 drivers of volatility. And what's next is the outcome of what happens when two or more of those 4 drivers start to intersect to result in things like technology and ecology linking up together to create the power wall that Elon Musk and Tesla introduced last month, to completely disrupt how the utility industry works.

We're getting to a point where the assumptions we've made about our lives, about business, about government that maybe we formed 10-12 years ago, are no longer valid. And those who can not only see that, but be able to challenge their assumptions now and reposition their portfolios with the answers they come across, will be the ones who can outperform not only their peers, but the market over the longer term.

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FT: What's your financial philosophy Eric? A money mantra that guides your personal money decisions?

[00:14:15]

EL: Sure. So I split that into two. I split that into investing - and I'll put savings as part of investing - and then I put that into living. Let's go one at a time. On the investing side I espouse the idea that I'm not smarter than the market, "Me can't beat we". That said, so I tend to invest long, I tend to follow value, I tend to follow Buffet. But I have certain visions or views on certain industries that I think are at great risk for massive disruption. We've talked about the utility industry as just one example. So there are certain sectors that I'm sort, and there are certain industries within certain sectors, certain companies within certain industries within certain sectors that I'm also short. So that's part one.

And then on the living side, while we use credit cards and you know, it's weird. I've gotten to this point where I'll use a credit card for like a $3 purchase, and then feel really guilty about it because maybe I'd fallen to the guy disease of not carrying cash with me anymore. But literally, my wife and I have a certain budget that we set each month and our goal is to come in 20% below that budget while not sacrificing any sort of enjoyment of life. Cause the one maybe bigger view that I've got is, among the legacy that we can pass on to our two children and their children to come, not only is it repetitional, but it's financial. And it's financial both in the ability for us to say to our kids, "Hey, go to whatever school you want, we're gonna pay for it and it's already pre-arranged. We've saved for that. But we're going to remove certain financial roadblocks that could stand in your way of being able to progress in a way that you can contribute to the greater world as a whole. And so we can provide some of the financing to help you in turn be able to have an impact." So we think about investing and saving in the "we can't beat the market, but there are certain sectors that I look at and I'm very convinced that it's better to be short than long in right now". And then on the living side, we live within our means plus 25%.

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FT: So how do you make that 25% happen? Are you communicating a lot? Do you have - can you get even more granular with that?

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EL: [Laughs] Sure. So gosh.

[00:16:35]

FT: Can you tell I'm really nerdy about this stuff? Like I really wanna know!

[00:16:38]

EL: Well if I start using P values, will that scare you?

[00:16:41]

FT: No! Don't do that. You lost me at "P value".

[00:16:43]

EL: [Laughs]

FT: And probably all my listeners!

[00:16:46]

EL: Sorry, I apologize to everyone out there!

FT: Not that we don't get it... I try to make this a fun show!

[00:16:53]

EL: [Laughs] I might be a little too nerdy for them. Well, I'll come up with granular a little bit. Last night, Monday night, we were planning for our summer vacation and we have a budget we stick to, and annual budget. I said to my wife, "This is the number that we can spend on the summer vacation." And we went out and found, we actually found this great - I think it was like Ritz Carlton in Atlanta in late August. And you might say "Atlanta, August. Man that doesn't sound like fun!"

[00:17:29]

FT: August is a great time to book hotels. Always like the cheapest.

[00:17:32]

EL: Yeah! And we actually found - this is really interesting, maybe this is a small help - we found that the week before - because Labor Day is so late this year - we found that the week before the end of August is the perfect time to go on vacation, especially in the South. Because kids are starting school ahead of Labor Day, they're coming back from camp and they're starting school. So this particular Ritz Carlton that we booked, we normally wouldn't go to that type of a place for a vacation because you're talking about a week for two different rooms, 4 people, that's a lot of money. But we see it, per night I think it was like $100 per night, and then we called Amex Platinum Travel. They were able to pull $100 resort credit plus a 4th night free and knock our per night down another $70. So we started off with a budget and we said, "Great. The guiding principle is to get 25% below without sacrificing our enjoyment of life," so by choosing the right week and then by using Amex Platinum we were able to knock off $1,000, so that was 10% right there. And then we have a U.S Airways rewards card we use to book flights and that comes with two companion tickets for $99. And so we booked our flights which knocked off another 10%. So we're 20%, and we'll figure out the other 5% somewhere. Even if we're 20% instead of 25, hey, it's a vacation. I can have that extra croissant. It's okay.

[00:19:04]

FT: Yeah. And you're at the Ritz. So you did pretty good!

[00:19:06]

EL: [Laughs] I've got no complaints!

[00:19:08]

FT: Well thank you for that granular example. That was exactly what I was looking for. I took notes. Eric, what would you say is a money memory of yours that's very, very vivid. Growing up you said you grew up with a lot of doctors and psychologists, in terms of money though, what was your perspective on money? How was that showcased to you at a young age?

[00:19:33]

EL: Yeah. Two different ways. It's a great question and it's one, I confess, I've never really reflected on so I'm gonna tell you a story I've never shared. My dad, when I was 5, brought home a bag of M&M's and I was so excited. And I asked him "where M&M's grow" and he said, "Well M&M's don't grow, you need money in order to buy M&M's." And so I said, "Well where do you get money from?" And he said, and I don't know if he intended it this way, but he said, "Money is paper, it represents gold that the U.S Government has." And I sort of stopped thinking at paper and I said, "Well I remember that somebody told me that paper comes from trees. So does that mean money grows on trees?" I woke up the next morning and my dad, God bless him, took probably 4 or 5 dollar bills, but enough to make it look like it was a tree full of dollars. And he literally hung dollar bills from the tree. So I pulled those 4 dollar bills down from the tree, 5 dollars or whatever it was, from the tree and I had this expectation that the next morning I would see the same thing, but I didn't. And so I said, "Well, money must grow on trees every other day." And then it didn't. And then that was my dad's way of teaching me that there's a difference between a small gift and the expectation that money just comes really easily. So that's always stuck with me.

[00:20:53]

FT: Wow.

[00:20:54]

EL: Yeah.

FT: Were you an only child?

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EL: No, I'm actually the 2nd of two. But my brother is 6 years older and so he was like in a totally different world, right? I mean, by the time I was 5 he was 11. He was doing all sorts of town sport and a variety of other things. So it was as if I was an only child.

[00:21:12]

FT: Right. What a lesson! As an adult, is this like one of the first times you've kind of reflected on this?

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EL: As an adult to an adult, yes. I haven't shared this story with my kids in that way. I've got a 10-year old and an 8-year old so they're sort of past that unfortunately. But they're in sort of a different place. They have iPods that are, granted a couple of generations old, that were hand-me-downs from my wife and me.

[00:21:45]

FT: What's an iPod? Like they don't sell those anymore! [Chuckles]

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EL: Yeah, you know it's funny actually. You can go into museums now and see iPods next to these weird things called "Walkmans".

[00:21:55]

FT: Oh my gosh. Walkman, Discman. iPods are so 2002.

[00:22:01]

EL: Aren't they? It's crazy. And that is not a money-saving idea that I'm gonna give to your listeners cause that does sacrifice on your quality of life. But the kids have iPods and they're like, "Okay dad, what is this App Store? And can I have $5 to buy an app?" I said, "Sure. Alright, you may have $5 after you do these chores. And oh by the way, think of yourselves now as entrepreneurs. So if you see our car is dirty - we're in the middle of pollen season in Boston - come to us and make a proposal. "We'll wash your car for $5", great you've now earned $5 that you can actively use. It's that type of mentality of, "Mommy and I are not banks in the sense that - we're not ATM's, we're banks. We're not dispensing cash, but you can come to us and either make us a proposition and we'll make a loan, or let's make some sort of a barter-type trade.

[00:22:55]

FT: Yes. I just wrote about this for money magazine in the July issue about how parents, like yourself, are changing the allowance rules. The Anatomy of an allowance is really changing, I think for the better. And what you said about teaching entrepreneurship to your kids - what an opportunity to really turn allowance into this vehicle to teach kids about critical thinking and negotiation and finding needs in the marketplace, which in their life is their house. But lots of ways to teach your kids to be much better stewards of money than just thinking that it grows on trees or it's, you know, easy come, easy go.

[00:23:33]

EL: And let's tie it all back together then. Let's tie it all back to the collaboration economy and then back to my sort of start as coming from a line of psychologists. My daughter, two years ago we were on vacation in Florida, she wanted to make bracelets with sparkles on it. And so we bought her a box of bracelets and told her that she could make them herself and either play with them, or if she wanted we could arrange with the local grocer to have her have a stand outside of the grocery store and offer to sell the bracelets. And she said, "Well daddy I can make them 50 cents and maybe I can get X, Y, or Z. Or what if I didn't put a price on them and said to the buyers that anything over 50 cents gets donated to Dana Farber, the cancer clinic up here in

Boston." And she did that. She made 10 bracelets, she raised over $200 just to give to Dana Farber. And then my wife and I decided to match that, and then my in-laws matched what we matched. So her $200 became $800 and she got 50 cents times 10, or $5 just for herself and gave $200 away that then became $800.

So it's that entrepreneurial, that concept of "I can make enough to meet my needs, and then I can also make more to contribute to society as a whole". That not only is an example of the collaboration economy, but it's also an example of a child who has a perspective of "we not just me, and there's a world that's far greater than me out there and I can play a role in helping make things happen.

[00:25:06]

FT: Wow, she really took it to the next level. She employed the Warby Parker Model. [Laughs]

[00:25:09]

EL: She did indeed. And she has this killer smile to boot. I confess, I may have accidentally sort of given her a little bit more money on the side to sort of just say, "I'm so proud of you".

[00:25:22]

FT: Yeah. Well, I can't even imagine where she'll be in 10 years. Well, you know, she has a good environment. What can I say?

[00:25:31]

EL: Thank you.

[00:25:31]

FT: Let's talk about failure. This is probably one of your favourite topics, because you're all about volatility and "dance with the volatility". If you just sort of go back down memory lane and think about, "Okay, that was a pretty financially volatile time. It may have even been a failure, but I grew from it, and I'm glad it happened. What would you say that was, and what happened?

[00:25:54]

EL: Yeah, so I'll give a really granular example. Qualcomm 1998. So I bought Qualcomm stock in '96 and I think at the time it was split adjusted, gosh I dunno, $46-$47. I rode it up to $92, and then your listeners may remember - some of the old ones perhaps - might remember that there was a prudential analyst who, right before the end of the trading markets for the day before Christmas in '98, issued a report that said, "He saw Qualcomm as $1,000 stock." At the time it was trading at $420. I bought it at $46. So I rode it up to $420. The day he came out with his $1,000 vision, it went up to $525. Now, I was gonna start business school in '99 so I was looking at Qualcomm as a way to offset a significant amount of my first year tuition. I at this point had a ten bagger. I should have sold and walked away, but I got greedy. I said, "We're at $525, that's 53% of the way to his $1,000 mark. If he's slightly off and it's $750, there's still $250 to roam here." I should have sold. I should have sold long before that. But I rode Qualcomm from $525 all the way back down to $42. I went from a ten bagger all the way back to zero because I didn't see the volatility around us. I just assumed that Qualcomm was gonna continue to go up and this guy was right.

Where in hindsight, I wish that I'd known about geopolitics, ideology, technology, and ecology - sort of the 4 drivers of volatility. Cause then I would have notice that gee, companies without business models, a number of dot com in particular, are getting astronomical valuations. Maybe now's the time to take money off the table. That's an idea that I think strongly underpins the concept of "how do you benefit from volatility", which is you've gotta challenge your assumptions and keep it very simple in the process. If I had done that, I probably would've been able to pay for my first year of business school just on my own. And instead I had to take out a financial loan to do it.

[00:28:07]

FT: Oh now.

[00:28:09]

EL: Yeah. And I mean, we all take out loans to do anything. Buy cars, houses, our credit cards are essentially micro-loans. So I suppose I was really fortunate and lucky to get to that $525 from base of $42 or $46, or whatever it was, on Qualcomm stock. But the lesson here is, now when you've got your gains you've gotta take money off the table and move on with life.

[00:28:33]

FT: Or as the profound Jim Kramer once told me - I worked for Jim Kramer at Thestreet.com - "Pigs get slaughtered".

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EL: And I was definitely a pig. I absolutely will confess full-open commitment on that one.

[00:28:45]

FT: [Laughs] Yeah. Well thanks for sharing that. I mean, that sucked. But you made it through business school, despite you having to take out loans for it and you're a wiser man for it.

[00:28:59]

EL: Oh goodness yes. And I'm grateful that I was single at the time, that I was at that point where, while I wasn't making a ton of money, I was making enough that I can recover from that. And I only invest what I can afford to lose. So I knew that, "Okay I'm playing with house money here," but gosh that was a painful lesson to learn at the time.

[00:29:17]

FT: "Invest only what you can afford to lose." That is a very good money mantra!

[00:29:23]

EL: And it's again, maybe the first time I've come out and said that to another adult.

[00:29:28]

FT: That's good. See we all have these like - that's why I wanted to do this show - because I think we all have great stories, great anecdotes, lots of lessons that we may not be giving them fun names or literated themes or topic names. But this show can help people to really kind of articulate it once and for all, and help others along the way.

[00:29:53]

EL: That's one of the reasons why I'm a fan of the show and I listen to it.

FT: Thank you!

[00:29:57]

EL: And I have turned my financial advisor onto it as well.

FT: Oh awesome! I better really like button up here then! How about a So Money moment? You've probably had several, but give us one.

[00:30:11]

EL: Alright, so let's see here. I'm in Japan, college, yeah I'll give this one. I'm gonna give you two actually. I'll give this one and one other one real quick. So I'm in college, it's my second year in Japan and the dean of my school, Japanese, walked up to me about a week or so before school was officially supposed to start. He asked me to give the keynote speech welcoming the students to this new school year. He asked me to do it in English. Then I said, "You know, 800 students, 750 of them are Japanese. I'm gonna do a 40 minute talk in Japanese."

[00:30:48]

FT: Oh no you didn't. Woah!

[00:30:49]

EL: Oh yes I did. I stood up, I started in English and I said essentially the equivalent of, "Ah the heck with this," and I just went into 40 minutes of Japanese and I was in the zone. I nailed it. It was So Money. I was like, "YES!"

[00:31:04]

FT: So, I mean, I took like 1 year of Japanese in High School. I mean I can order some sushi but that's because it's written on the menu now. I think I can count to 10. How did you learn this in such a short period of time? Is there a method to learning a language very quickly and so perfectly in front of an audience, it's Japanese my gosh!

[00:31:30]

EL: You know, that part was actually the easy part because the way I felt was "I'm playing with house money. They know that I'm clearly not Japanese, and so if I make a mistake or two, this is an incredibly forgiving audience," right? I'm speaking in their language, not my native tongue. So that took all the pressure off. But in terms of being able to learn Japanese to the point that I can get up there and do it, it was equal parts work, passion, and a bit of almost the gene pool lottery. Let me say the "gene pool lottery" one first, which is I've got a photographic memory.

[00:32:02]

FT: Oh! You're one of those people.

[00:32:05]

EL: I am one of those grown-worthy people. Oh goodness yes. And so you never wanna sit next to me in calculus or math or you know, physics tests.

FT: Anything.

EL: Yea anything. You didn't wanna be next to me, it wasn't helpful. So that was part one. It's just massive recall. But part two was, I was so into Japanese and a large part because I'm into Martial Arts. And I'm into a particular esoteric type of martial arts, or one specific study of martial arts that's just so esoteric that when I started to study Japanese language it actually made me a better martial artist at this particular discipline because so much of the teachings were more accessible to you if you understood Japanese, then could translate into English what they meant.

I'll give you a very quick, easy example of that. In this particular martial arts, the best stance to be in if you know an opponent is coming at you is called "shisa noh ko mai". And shisa no ko mai doesn't mean anything to anybody, if you're not Japanese. But if you are Japanese it means that you're putting the natural face first. It's just a natural stance. It's the stance we're standing in when we're standing in line waiting for a cup of coffee. And that way you're giving your opponent exactly zero information about whether you're trained and if you are trained, what type of martial art you are trained in, what kind of discipline you're in. So that opponent thinks he has the advantage by striking first, when in reality he's at a massive disadvantage because he doesn't know what you do. And it wasn't until I learned Japanese that I really could understand what shisa noh ko mai really meant, and other types of positions and stances and katas, routines along those lines.

So it was passion, it was photographic memory, and it was just hard work. Just continued to work primarily on my accents. And I got to the point where I could do a 40 minute talk in front of 800 people.

[00:33:50]

FT: 40 minutes?

[00:33:51]

EL: 40 minutes! 40 minutes up there, and enjoy it!

[00:33:54]

FT: 40 minutes of English is hard enough.

[00:33:56]

EL: Oh my gosh, yeah now I can't breathe for 40 minutes straight. But being up there and nailing it in Japanese - killer! The second one, really quick - totally So Money - very easy. In 1995 I was working for a very large, very well-know - which I can't say the name of because the former CEO will hunt me down and kill me - very well-known financial services firm and the CEO did not want to buy the URL for his company. I said to him, "You've got to buy this thing." I said, "If you're not gonna buy this thin, I will. And then you're going to want to buy this thing from me for 100's of 100's times more than I bought it for." And so he eventually did buy it. Two years later he sent me a thank you note, as well as - at the time I was working for a large consulting firm and at the time, after he sent me the thank you note he said, "Just so you know, we're looking for a company to help us build our internet strategy. Would you guys be interested in bidding?" Which was sort of the hint-hint way of saying, "Come in with a nice proposal and you've got a multi-million dollar project.

[00:34:57]

FT: Woah.

[00:34:59]

EL: So Money!

[00:34:59]

FT: So Money. Yeah you give some good advice for free. They follow your advice, they realize your value, and...

EL: And you walk away...

FT: And you've got a 7-figure deal! Yep.

[00:35:11]

EL: You've got a 7-figure deal. And I said, "Man, I nailed that!"

[00:35:15]

FT: I thought the rest of that story was gonna be like, "And the company's name was Airbnb, or something like just really, really that we would all recognize.

[00:35:23]

EL: If I told you the name it would be instant. I just have to say the two letters. For the first and second name of the company and you guys will be like, "Yup, I know it." Like that type of household name. I so clearly remember the conversation with the CEO. He said, "My clients are white glove, they will have no interest in this interconnected-network thing. They call their broker, or their advisor and their advisor tells them, they read from the ticker exactly how much money they have in different positions. They're not gonna want access to information." I mean think about that now, right. You asked me about the iPod and why it's not next to the Walkman in the Smithsonian. But think about having to pick up the phone, a quarter telephone at that, to hear quotes about your holdings, right? And just how crazy that was. But that was what it was like in the mid-90's.

[00:36:11]

FT: Mid-90's. Feels like it was like Downton Abbey era or something.

[00:36:17]

EL: [Laughs]

FT: Were we still wearing dinner coats back then? I don't remember.

[00:36:22]

EL: I don't know, but I wish I had a Carlson. That would have been unreal.

[00:36:25]

FT: What is your number one money habit Eric? I'm sure you have a lot of good habits. You just strike me as somebody who's very diligent about being conscious about certain behaviours. So when it comes to your money, what would you say is your number one financial habit?

[00:36:40]

EL: You know, habit's such a great word because it conjures this image of Stephen Covey. I follow the 7 habits very closely and my financial habit is always starting with the end in mind. And so I've got certain goals, my wife and I have certain goals when it comes to things like retirement age, when it comes to things that we want to enjoy. I'll confess that we recently leased a Tesla and it was like the big splurge moment. But we have been saving for years to do it.

[00:37:10]

FT: You can lease a Tesla? I thought you could only purchase?

[00:37:12]

EL: No, you can lease one now. And not only can you lease one, but the rates are relatively reasonable. And when you start to factor in the cost savings - okay here's another one of those financial mantra's for a second, ties back to green sustainability. It turns out that over the course of 12 months I would spend, for an equivalent size sedan, I would spend about $3,600 give or take for gas. We are right now, gonna be about $2,500 for the year for charging the car. So I'm saving about $1,100 a year which is a little over a month of the lease just by doing the same thing I'd be doing anyways, except I don't have to stand in the rain to fuel my car.

[00:37:55]

FT: And your car's way cooler.

[00:37:56]

EL: Yeah. I confess the model is pretty cool. But it's one of those things that wouldn't have been accessible if we hadn't started with the end in mind years ago. Where we said, "Alright, I'm gonna reach a certain milestone where I can do this. And we can financially afford to do it while realizing that if we splurge on this it means that there aren't gonna be 10 Canali suits that I can buy as well, or 10 splurges, whatever those splurges are.

[00:38:21]

FT: Canali's expensive man. I bought a tie for my husband from Canali, and a shirt, and it was like, I felt like I was buying myself a pair of shoes.

[00:38:29]

EL: I went to Bloomies to buy a suit for the Clinton Global initiative that I went to last September. I thought, "Well I'll wear a nice suit to meet president clinton and folks could actually see this picture." You'll see that suit, and now you'll know the back story. But it was a Canali suit from Bloomies and they actually had this deal going where if you bought a Canali suit, they would give you the mortgage that you need to actually pay for it. An interesting cross-promotion.

[00:38:55]

FT: [Laughs] My gosh, you know. Well I'm gonna have to find that picture.

[00:39:01]

EL: [Laughs] I will put it up on my website. I'll send it over to you so you can see it.

[00:39:05]

FT: Yeah. Maybe we can put that up on the So Money Podcast website as your profile picture.

[00:39:08]

EL: [Laughs] I was thinking of that too. And I'll do this.

[00:39:12]

FT: [Laughs] Alright, you've been a lot of fun Eric. Let's do some So Money Fill in the Blanks, shall we?

[00:39:16]

EL: Yeah cool, let's do it.

[00:39:17]

FT: If I won the lottery tomorrow, let's say you won $100 million, the first thing I would do is _____.

[00:39:22]

EL: Plan. If you fail to plan, you plan to fail!

[00:39:27]

FT: What would you plan?

[00:39:28]

EL: I'd plan how we would use it. The first thing, when I say how we would use it, maybe a better of doing it is how we would invest it. And invest it not just financially, but equally important, invest it causes that are meaningful to us. And then the second thing we would do is we would live the way we normally live. We would be incredibly frugal. A book that made a lot of sense to me that was written again in the 90's was "The Millionaire Next Door". It talked about how the majority of millionaires in America are folks who save their way to millionaire status, not win the lottery, and they did so by never changing their lifestyle even when they reached a certain financial plateau. I wouldn't want my kids to feel like, "Okay we've got all this money, we could do whatever we want." I'd rather shield them from all that, and live our life and do so in a way that the greater good can benefit.

[00:40:14]

FT: Yes, yes. It's like Warren Buffet says, you know - I'm gonna botch this - but essentially the idea is you wanna leave your kids enough money where they feel so that they can have a decent life, but that they don't have so much money that they feel like they don't have to work for anything.

[00:40:32]

EL: And I think that's absolutely right. We as parents, we want to be able to shield our kids from pain and from certain painful moments or painful experiences, but if we do so continuously, we reduce our kid's ability to deal with volatility, right? As said in English, we reduce our kids ability to deal with adversity, with stuff that challenges them. And they just expect that mommy and daddy would come and save them and they can take silly risks as a result. And our kids will absolutely not be that way.

[00:41:05]

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

[00:41:11]

EL: Dry cleaning. [Both laugh]

FT: The Canali suits need some special TLC.

[00:41:18]

EL: Alright, can I tell you though? So the same day I bought the Canali suits, no it was a different day, bought the Canali suits, I saved up another 3 months and I bought 2 Robert Graham shirts for TED. So I went out to TED in March and I had these 2 great shirts. For listeners who may not be familiar with Robert Graham shirts, what makes them cool is that he takes what you would assume are simple things like sleeves, and you would think that both sides of the sleeve are the same colour cause that's how we were taught dress shirts work. And he actually makes really cool, intricate colorful patterns on the inside of your sleeves.

[00:41:53]

FT: Oh yeah I've seen those.

[00:41:54]

EL: Very cool shirts. Unfortunately a little bit more money than I want to spend, but I thought it was TED and I had to make a certain type of impression.

[00:42:01]

FT: There are knock-offs to this I've seen, right?

[00:42:03]

EL: There are. And I wish I'd known that at the time cause a knock off - really funny, we were in Turks and Caicos at some overpriced resort in March and I saw knock offs that were like half the price at an overpriced resort. So they told me I probably paid 4 times as much for them as I should have.

[00:42:20]

FT: You know, do you ever watch Modern Family?

EL: Yes.

[00:42:23]

FT: I think Cam wears those shirts all the time. Although, I don't know if they're like the knock offs or the expensive ones but...

[00:42:29]

EL: I think when this show piloted it was probably the knock offs, but now they probably can afford the real ones.

[00:42:33]

FT: Yeah, now they can afford the real ones. Yes, exactly.

[00:42:36]

EL: The convenience is dry cleaning. I sent my Robert Graham shirts to get dry cleaned, they laundered them, and they came back completely ruined!

[00:42:42]

FT: Ah man.

[00:42:44]

EL: Yeah, and so now I sound like I'm a spoiled brat, but in reality I'm so bummed about it and I talked to the folks at the dry cleaning place and I think we actually figured out a new service for them, which is for $5 they'll actually help you figure out exactly what clothes need exactly what types of treatment. And they'll help you figure out what the best way would be economically to make sure you're getting your best clothes treated the best way, you're next best clothes and so on and so forth. So for people who use dry cleaning services but who just stuff stuff in bags, you get a lot of your clothes ruined that way. If you think about it so that the black bag is for dry cleaning only and the pink bag is for laundered as well. The dry cleaner in your community can make more money, and you can save more money in the process.

[00:43:29]

FT: See, you took a volatile situation and you turned it into an opportunity for that merchant. So you're doing the same thing in your personal life. That's pretty impressive.

[00:43:39]

EL: I'm an advocate for volatility.

FT: Yes. My biggest guilty pleasure that I spend a lot of money on is ____.

[00:43:45]

EL: Madden Mobile football on my iPhone. Which is probably not something that you hear from guests.

FT: At least it's not candy crush.

[00:43:54]

EL: Oh no, it's not Candy Crush. I went through that phase, but I never spent money on Candy Crush. But Madden Mobile Football, and it's because my 8-year old son loves football and he can literally sit for hours and watch games for hours on DVR and he's at the point where he can dissect team's defences where he can say, "Alright, this team's gonna do a blitz, or this team's gonna do a cover 2". And I'll look at him and I'll say, "Hey, you know what would be really cool? Is if you learn how to read and not just be able to dissect defences." And so I had to start playing football on my phone so that I can understand what my son was talking about. And I got to the point where I just, I dunno what it is, but every time they come out with a new pack of cards in this game, I actually wanna buy it. And I need to dissect, I need to deconstruct, de-engineer the sort of, the marketing approach that EA Sports - the publisher of the game - uses to get me to buy the packs I can actually learn from the, "Hey, that was really insightful, but man you're really cheating on the, you're pulling my psychological strings here, here, and here. You really shouldn't be doing that."

[00:45:00]

FT: Yeah. Tell them like it is.

[00:45:03]

EL: Gosh yes!

[00:45:05]

FT: Oh man, okay let's move on here to one thing - I like this question. One thing I wish I'd known about money growing up is ____.

[00:45:12]

EL: That it is incredibly easy to lose, and incredibly difficult to earn.

[00:45:19]

FT: Is it that hard to earn?

[00:45:21]

EL: It can be. You know, there is a guest from CNBC, a guy named John Layfield. John Bradshaw Layfield - a wrestler I think he was, of all things.

FT: Yes.

[00:45:33]

EL: He once said something like, "To be born poor is bad, to stay poor is stupid." And I thought about that for a little bit. And I thought, "Hmm, I don't know if I 100% believe that because if I believe that with 100%, then it would imply that you can always beat the market." And I'm on record now saying, "I don't think you can beat the market continuously, at scale, over a course of 20-30 years. I don't think you could do it. There are clearly people who do do it. I don't think it's possible, at scale, for all of us to do it because if we were all able to do it, by nature you wouldn't be able to beat the market cause you would have to be able to beat millions of other people who can do the same thing.

[00:46:13]

FT: Well, that's exactly - I was just talking to one of my guests, Ryan Holiday, who is a brilliant young guy. He was the former director of marketing at American Apparel, he's a best-selling author, he's a media strategist, and we were talking about earning, and I said, "Ryan, you know, why do you think - we talk so much about how to save, but we don't really emphasize earning as much?" And he says, "Well everyone can save. That's something that we're all able to do. But with earning there is an inherent meritocracy there in that you have to sort of be good at something or there's a certain level of education, experience, skill, all of that to be able to earn." Which I agree to an extent. And that's kind of isn't very politically correct as it is to really talk about that and say, "Everybody can earn more!" Well, can they? It's an interesting debate.

[00:47:12]

EL: It is an interesting debate, and if you stop for a second and ask yourself, "Well,who are the top two billionaires who are sort of self-made in the tech field over the last, say 3 or 4 decades?" Just you know, off the top of your mind you'd probably say Zuckerberg and maybe Bill Gates, right?

FT: Yeah.

[00:47:29]

EL: And you look and say well, "Alright, did both of them graduate with MBA's from Harvard? Did either of them graduate with their Bachelors from Harvard?" And both went to Harvard. So is there not an inherent lesson there which says there's almost this inverse relationship between the level of education you finish and your ability to earn millions if not billions. Now, that's speaking from a really small sample size, n of 2 right, against and an n of 300 million American currently living in our country. Really small sample size. But their earnings and their bank accounts also outsize all of us. So is there not something to e learned from that?

[00:48:13]

FT: Yeah. No, it's very, very inspiring.

[00:48:16]

EL: It is inspiring. And I think the word is "inspiring" cause what it tells us is that you don't necessarily need the most stringent education. In other words, there isn't like this need that you have to have X done in other to do Y or Z. And that's I think to a large extent what volatility and thriving from volatility is about too, is challenging the assumption that you need assets in order to grow your assets. And that applies both to executives and some of my larger clients who for years have thought, "Well the greatest way to build our free cash flow and our revenue base is by building our balance sheet." And if one were to look at GE as an example, what you would see now is over the last 4 years, GE has been focused - almost laser-like focus - on shrinking it's total assets on it's balance sheet while growing it's free cash flow, growing it's revenue, and growing it's net income. And you would say, "Well that traditionally didn't work," right? You had to have assets in order to grow your assets, and GE is going in the opposite direction. And I think that's one of those companies where although I don't love the industrial equipment sector and I certainly don't love the utilities sector that it supplies, that's a company that I still look at and say, "Well, over the course of 8, 10, 12 years, there may be some big changes that happen internally at that company and externally in it's environment that will help it benefit tremendously."

[00:49:39]

FT: Absolutely. Alright, we are almost wrapped her. I wanna know, when I donate money I like to give to _____ because ______.

[00:49:47]

EL: Well when I donate money I love to give to educational causes because it's the younger generation that ultimately is gonna determine the direction, not only of our country, but the ability to solve our most vexing challenges for our world.

[00:49:59]

FT: And I'm So Money because _____.

[00:50:02]

EL: [Laughs] Because I get to be on your show.

[00:50:05]

FT: Ah!

EL: No it's, I think it's in part humility. And I don't know if this has come across or not, but I truly believe that I am not only no greater than anybody else, but at best I'm normal. And I think that that true belief in self-deprication and in keeping sort of my ego in check and that I'm not better than anybody else, and in fact I might be sort of average or below average in some regards, helps me push harder. Which in turn makes me practice, practice, practice, which leads me to So Money success.

[00:50:37]

FT: You know I will say that when looking at your resume, well not really your resume, but your bio and your background, it's very easy to assume that you're gonna be this very like "holier than thou" person. [Both laugh] Because you're very, very impressive. You know, that's really meant to be more of a compliment in some ways that there is like this expectation that you would be so, it would be almost hard to talk to you because you're not, your experiences are so impressive. But yes, talking to you just in this last 40 minutes has been so much fun. You've just been fun. I feel like I wanna go and have a beer with you and I think people you should listen to this episode again with a beer because I think it'll be all that much more enjoyable and maybe I'll just start doing that during the podcast. Maybe I should start drinking during the show. I know some podcast hosts who do that. I don't know. I think that's going too far.

[00:51:37]

EL: I think listeners can probably find the 2 or 3 podcasts I've appeared on where the hosts actually have done just that. And the questions weren't really intellectually challenging and just in English. Like, "Hey, I wanna know what that guy thinks about that," to "Did that host really just ask that? Oh my gosh! How many pints did he just go through?"

[00:51:58]

FT: Oh my gosh. Pints, plural!

[00:52:01]

EL: Pints. Like oh my gosh I sound British all of a sudden.

[00:52:04]

FT: Eric Lowitt, thank you so much. This has been a real joy for us and we hope to have you back again.

[00:52:09]

EL: Hey Farnoosh, this was such a pleasure. Thank you for having me on.

[END]