EPISODE 433

[SPONSOR MESSAGE]

[0:00:34]

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[INTRODUCTION]

[0:01:21.5]

FT: Welcome to So Money everyone, thanks for joining me, I'm your host Farnoosh Torabi. Hey, just want to say thank you to everybody who has been leaving really kind reviews on iTunes. Totally unsolicited, I haven't asked for reviews in a while but I guess some of you felt strongly enough, passionate enough to write some kind words about the show and I just want you to know how thankful I am because it's really this sort of stuff that helps keep this show in the lime light.

iTunes really likes to see podcasts that are getting love and will, as a result, give your podcast a little bit more spotlight in the iTunes store and if you go now to iTunes you'll see that So Money is in the what's hot section and some of that has to do with the reviews. So thank you very much to everybody who has done that, I can't thank you enough.

Today's guest is Jim Collins. If you're a follower of financial bloggers, you might know who this is. Jim is a prolific financial blogger who started writing more or less in retirement. In 2011, he began by writing a series of letters to his daughter about money and investing so that she could learn what worked and what didn't. He talked openly about his mistakes.

We talk frequently on this show about our memories from childhood and the one thing we wish we had learned about money growing up and Jim understands the importance of teaching your kids good financial lessons and in that process of writing to his daughter, he created a gateway to financial independence for her. So I'm curious to find out where she is today and at the suggestion of a colleague, Jim created a blog where he posted those letters so they could also benefit his other friends and family members and the blog is JLcollinsnh.com NH stands for New Hampshire where he lives.

Now fast forward to today, the blog has become a go to for people all over the world who want financial wisdom and Jim has a new book out called *The Simple Path to Wealth* and he's taken the ideas and concepts from the blog and crafted them into a roadmap for readers. We're going to talk to Jim about where is his daughter today, how has he influenced her, his top investment pick of all time. He's very passionate about this, and is the path to wealth really simple?

Here we go, here is Jim Collins.

[INTERVIEW]

[0:03:39.8]

FT: Jim Collins, welcome to So Money, our paths have crossed a number of times, we've both been to FinCon, we're both in this personal finance space, you cam recommended, highly recommended from a previous guest on this show, Darrow Kirkpatrick, and we have mutual friends Mr. Money Mustache. Welcome to the show friend, I'm sorry it's taken a while for me to catch up to you and have you on the show.

[0:04:02.2]

JC: Well thank you so much Farnoosh, it's an honor to be here and as you mentioned, you and I have met, we haven't spent as much time together as certainly I would have liked. But it's fun to get to do this with you.

[0:04:15.2]

FT: You've been in this space for a while and many other personal finance blogging celebrities like Mr. Money Mustache and they really look up to you as someone who really paved the way, somebody who has a very attractive voice in this space that can sometimes feel very dull and boring, I'll just say it. How do you think you differentiate? When you think about your "brand" and I put that in big air quotes in this personal finance space, how would you articulate your specialty and what sets you apart?

[0:04:52.6]

JC: I'm glad you put that in air quotes because maybe one of the answers to that is I don't think of it as a brand. And by the way, that's high praise indeed and I appreciate your kind words there. The origin of my blog is kind of an interesting thing. In 2011, I started writing a series of letters to my daughter who was at the time in college. They were about money and finance and investing and things that I wanted her to know that she wasn't quite prepared to hear and I wanted to make sure the information was there.

I shared this with a colleague and said, "You know what's pretty interesting stuff Jim, you ought to really put this on a blog and send it around to your friends and family." That's by the way the reason my blog doesn't have a cool financial name like Mr. Money Mustache or Afford Anything. It's my name because I want friends or relatives to know who is sending this to them.

So I thought, "Well that's an interesting idea/" I had heard of blogs but I joke but it's the truth that the first blog post I ever read was the first one I wrote. I went to WordPress and it's pretty simple, and I put together this blog and I started organizing these things that I had written for my daughter and of course my friends and relatives didn't read it but over time I developed the international audience I have now.

Mr. Money Mustache and some others have been very generous in their praise of my work and particularly what's come to be known as The Stock Series on the blog and they connect with it. I was talking to the Mad Fientist, who is another brilliant financial blogger out there and who if you haven't interviewed him already, should be on your show.

[0:06:42.7]

FT: The Mad scientist?

[0:06:43.8]

JC: The Mad Fientist.

[0:06:46.6]

FT: Fientist? I like that already. I'll get Sophia on that.

[0:06:51.1]

JC: Yeah, ask her to remind me and I'll send you an introduction or send her an introduction.

[0:06:56.3]

FT: That's cool, I like his title.

[0:06:57.7]

JC: I was telling you, he does brilliant work but he and I were talking yesterday and he said, "I don't even bother in the investing side, I just went to your stock series." And so that's coming from a guy like that or coming from the likes of Money Mustache, that's high praise indeed. I never set out to create a brand and all I set out to do was to give information to my daughter and I'm still a little stunned that other people find it of interest and are following along and I'm honored by that and I'm thrilled when I get emails and comments on the blog where people say, "You've changed my life, I'm retiring years sooner than I would have otherwise."

I have a whole different — perhaps the biggest compliment I get at least in my own head is when people say, "You know Jim, for the first time, this investing stuff really makes sense, you make it understandable to me," and that was the target because my daughter has better things to do with her life than fool around with investing, she knows it's important, she wants to get a few key things right and then she wants to be done with it and move on. That's kind of who I write for.

[0:08:12.5]

FT: As you're speaking, I'm on your website and I'm looking at your stock series and it is — I'm looking forward to diving further into this. I think that there's a lot of mixed messages out there about how to invest. What's your philosophy? What's your overarching philosophy on investing and you said you've been investing since 1975?

[0:08:32.7]

JC: Right. I have and that philosophy has changed over the years and the core of it, and the core of the book that I have out now, the new book I have out, which is *The Simple Path to Wealth* is that the most powerful thing that you can do investing is also the most simple and it's what do you have to pay the least attention to? And that's simply index investing. If you buy the total stock market index fund then I like Vanguard's, which is VTSAX. That's the most powerful wealth building tool that, short of putting your own sweat equity into it and something like real estate ore building your own business, but is a pure investment, that's the most powerful wealth building tool that you can invest in.

It's also the lowest cost and requires the least effort. I say to my daughter and by extension to my blog in my book readership, when you are working and you are saving money that you're then investing that cash flow smooth's the volatility of stocks because stocks, while they're very powerful in terms of building wealth, it's also a wild ride. So you want to have something that smooth's that ride and when you're working, you are in the wealth accumulation phase as I put it and that ongoing flow of money from your earned income is what smooth's the volatility of stocks and that actually makes it about so they work for you. Because when the stocks plunge, as in the market you can be guaranteed periodically will plunge, nobody can predict that. Your continued investment that takes advantage of that so for my daughter who is in her mid-20's now I just say, "You want to buy VTSAX and you want to put as much money in it as you can whenever you can and don't worry about it otherwise, just let it ride.

Now, when the time comes that your portfolio is going to be supporting you and you don't have that earned income flow to smooth the ride. You want something else to smooth the ride and at that point I suggest you add the total bond market index fund, which is VBTLX and bonds are the function of smoothing the ride of stocks. What the allocation percentage will be between those two is really a function of your risk tolerance. The more stocks you have, the more powerful your growth over time will be, but the wilder the ride. The more bonds you have, the slower the growth but the smoother the trajectory. Does that make sense?

[0:11:13.7]

FT: Yes. I'm actually looking at your nine basics in the simple path to wealth and the first one, interestingly enough, is about your partnership and you say, "Avoid fiscally irresponsible people, never marry one or otherwise give him access to your money."

[0:11:32.9]

JC: Remember, I'm writing this for my daughter.

[0:11:34.7]

FT: Yes, right.

[0:11:35.9]

JC: Amen to that.

[0:11:37.1]

FT: Amen to that but you know, honestly, so many financial opposites attract is actually been academically proven that we say opposites attract. It is also true in your financial relationships that you tend to — savers marry spenders and vice versa. How do you work through that? Love conquers all, right? Or not, I don't know? What's your take on that?

[0:12:02.6]

JC: The answer to that is or not. I am not — before we go any further, I should say categorically, I am not an expert in relationships. But from what I understand, the single biggest area of conflict in marriage is money, is finance. So you're right, opposites attract and I for instance have been married for 34 years and my wife is from Zanzibar, it would be hard for us to be more opposite but on money, we're on the same page. By the way, that was just a struggle.

Look, I was not nearly smart enough to follow the advice I would give my daughter, which was to have the financial conversation early on and before the marriage. I wasn't that smart and it didn't occur to my wife and maybe on a subliminal basis when we were dating, we had a sense that we were both financial responsible but it was never a conversation. So, in a sense, I just got really lucky.

But for me, to be married to somebody who had starkly different views on money and spending and investing would be extraordinarily difficult and difficult enough that it might overshadow the other attractive attributes of the marriage. So I have no idea of what to say to somebody who is in a relationship where that is a conflict.

[0:13:32.3]

FT: How is your daughter doing today? Fiscally?

[0:13:35.3]

JC: Well she's in the Peace Corps. She is making almost no money. She's doing well fiscally in the sense that she is frugal, she doesn't squander money on silly things and that bodes well for her future when she's out of the Peace Corps and working in the part of her career that will generate more money and more cash flow and what have you.

One of the worst things that young people do, especially as they come out of college and they get that first job and maybe they're making some pretty good bucks for the first time in their life and immediately, their lifestyle inflates and immediately they're spending lots of money because they have money that they've never had before.

In terms of your long term wealth building, that's a kiss of death because it becomes a trap that once you enter it is very difficult to come out of it. When I look at my daughter, I don't see any of those traits in her. So I think while she doesn't have the cash flow to begin building her wealth at this point, she does have I think the right attitudes in terms of how to deal with money. Money is an interesting thing.

Most people think of money simply in terms of what you can buy with it. If you say to — if you survey a group of people and you say, "If a magic genie gave you a million dollars, what would you do?" Nine out of 10, maybe 9.9 out of 10 people would say, "Well, I buy a new car, I buy my mom a new house and I'd buy myself a house and I'd buy and I'd buy," because that's the only framework they have for thinking about money.

People who become wealthy thinking about money in a profoundly different way. Their response to that would be something along the lines of what my response would be, "If a magic genie gave me a million dollars, it would go into VTSAX and…

[0:15:42.8]

FT: That's the Vanguard index…

[0:15:43.8]

JC: That's the Vanguard Total Stock Index Fund. If I were the wealth building stage, I would let it ride and it would reinvest dividends and I'd add to it.

[0:15:53.8]

FT: How did you learn about all of this Jim? I mean did you have a natural interest in this? An instinctive passion or someone gave you all this wisdom. How did you become so confident and correct in your financial life?

[0:16:14.7]

JC: There's really two questions I think in what you've asked is one where does the instinct to pursue this and come from? And then how did I get to where I am today? So answering the second one first. I heard somebody comment the other day that the definition of an expert is somebody who has made every possible mistake in a given area, in a given field.

So if I have any expertise in the area of investing it is because I have made just about every possible mistake you can make including resisting the idea of index funds for — I first came across the idea in, I want to say the mid-80's, and I resisted them for at least a decade and probably more.

As to where the initiative or the origin to be interested in it and to pursue it had came from, you know, I have given that some thought and my father, he was a manufacturer's rep. He worked for himself and he made a pretty good living up until the cigarettes caught up with him and he contracted emphysema, which kills you very slowly but debilitates you as it goes along.

As his health failed, his business failed and as his business failed, our lifestyle collapsed and so to me, having money represents security, it represents freedom whether it's security from what happened to my dad or whether it's the freedom to step away from a job that's just not working for you because if you're living paycheck to paycheck, you're a slave and some people say, "That's a harsh word," but it's an accurate word.

So I think the drive that I had to become financially independent, although when I started on the path, there was no such term. Or at least that I was aware of. But it was that drive to be financially free and to be secure from the kinds of risks and traps that caught up my dad.

[0:18:33.3]

FT: How has your financial life and the security you have established supported you in tough times, personally?

[0:18:42.2]

JC: I have a post on the blog, it's one of the first ones I ever did. It's called, *Why You Need FU Money* and I wrote it in — well it's one of the first ones I did, so I wrote it probably around 2011. But in it I tell the story shortly after 9/11, and I was still working in my career at that point, I got let go from the best job I ever had and ironically, we had just finished the most dramatically up year in history and the president of our division to take me out to lunch over a fine bottle of wine, we were talking about the great future that I had and what have you, and then 9/11 happened and this was in the tech business and everything collapsed and six months later I was on street.

I was sitting, but I wasn't overly concerned because I had a FU money, I was financially independent and one afternoon I was sitting on the couch with my daughter and she was, I don't know how old? She would have been like 10, 11, something like that at the time. We were watching the news and there is pictures on the news, because a lot of people lost their job back in those days, it was a tough time and there's pictures on the news of all these unemployed people standing in some long line for something.

My daughter had registered at some point, that daddy wasn't working anymore and the news casters were talking about how all these people weren't working anymore and how desperate their situation is and she turned to me and she said, "Daddy, are we poor?" And at that point, it really crystallized, the answer, you go back to the answer I gave you earlier why I had invested the effort, the time, and the money to put myself in the position I was in. So I could say you know, "No, daddy's not working honey but we've got money and it's working for us instead."

[0:20:48.4]

FT: Do you thinks kids can really understand financial concepts at a young age? What sort of concepts can they really grasp and what are just too abstract?

[0:20:57.4]

JC: That's a great question, that I don't really have any answer to it because frankly, I messed up with my own daughter. Because I think this is so…

[0:21:07.6]

FT: Why do you say that though? She sounds like she has a really strong head on her shoulders and most parents wouldn't have done half the education that you provided to her.

[0:21:15.7]

JC: Well here's what — first of all, thank you. I think people have complimented my daughter almost since the day she was born and she is a remarkable kid and every parent says that but other people say that about our daughter. I think probably the best thing I did was just to stay out of the way. I've come to the conclusion that there is relatively little that parents can do to positively influence their children.

[SPONSOR BREAK]

[0:21:51.7]

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[INTERVIEW CONTINUED]

[0:22:53.5]

JC: There's a lot a parent can do to have a dramatic negative impact, you can absolutely destroy your child, that's pretty easy and all too many parents go down that path and most of them inadvertently but down it nonetheless. I think it's much, much harder to positively influence. Going back to the money thing. Because I think, if you understand money and you understand investing and in this modern world of ours, there is no more powerful tool than money and if you don't master it, it will master you, you will be it's slave.

If you do master it, the freedom it gives you and the independence it gives you and the range of options that opens up are so dramatic that obviously I wanted that for my daughter. The mistake I made is I pushed it too soon and too hard and I think I kind of turned her off. Now that she's an adult, she's kind of coming around and, as I said earlier, she's got a solid head on her shoulder but she's not — I would like it if she was enthralled with this stuff as I am, but it's not where she wants to spend her time and actually, that was an epiphany for me, she came home from college one day and I started up a conversation about money yet again and she stopped me and she said, "You know dad, I get it, I know this is important, I just don't want to think about it."

[0:24:24.6]

FT: Come on Dad, stop it.

[0:24:28.2]

JC: Right, yeah. But that was an epiphany Farnoosh because I sat back and I said, “You know, she’s rapid, I’m the odd one out.” People like us, you and I and some of the bloggers we mentioned who are enthralled with this financial stuff, we’re the odd ones out. The vast majority of people have more important things to do, they want to go cure diseases and build bridges and negotiate treaties and work on human right, which is my daughter’s thing.

They don’t want to be involved with this investing thing but yet, if they get just a couple of things right and this is what I talk about on the blog and now in the book, if you get a couple of things right, my daughter and people like her can set it up, set it and forget it and get enormously powerful results while they’re going off doing the things that they really want to do.

I was talking to — well actually, I don’t think he’d mind if I shared it, I was talking to the Mad Fientist yesterday and as I said earlier, he’s a brilliant guy and well worth reading but he was telling me about, “Yeah, you know I’ve got some cash and it belongs in the market but I’m just kind of holding off because maybe the market won’t hold back,” well that’s a critical mistake because nobody knows what the market’s going to do.

I understand the media is filled with people that are telling you they know what it’s going to do but they don’t. Nobody does. If anybody did, they’d be more famous than Warren Buffett and a hundred times richer. So nobody knows what the market is going to do, it’s a classic mistake but this brilliant guy’s making but he’s making it because he so involved with it and it’s so tempting to think, “Maybe I see something here.”

When you’re really kind of fooling yourself and I say that because I spent 40 years thinking, “Maybe I see something here.” I’ve had enough experience to know that every now and again I’m right, but a lot of the time I wasn’t really seeing anything.

[0:26:36.9]

FT: When did you have your aha moment that "I'm not seeing anything"? When did you wake up to that, ultimately?

[0:26:43.4]

JC: I don't know that there was an aha moment but there was a television program called Wall Street Week hosted by Louis Rukeyser who sadly has passed away because he was a brilliant commentator on this stuff and every Friday evening he would host a program about the stock market and what had happened, as he would say, in the week that past.

It was a half hour program and he'd open with an initial commentary on the market and whatever struck his fancy and the second part of the program was an interview and he'd always have three different guests. The guests were always different, rotating the panel but they were all lions of Wall Street, highly respected and highly educated authorities on the market and I loved watching this program but what was striking is that all of these impeccable credentialed experts would come along and confidently predict what the market was going to do and they would contradict each other on the same day.

Somebody would say, "Yeah, absolutely, based on what's happening and looking at my charts and the stars and whatever, the market's going up next week." And the next panelist would say, "No, the market is going down," and the third one would say, "The market is just going to be kind of in a holding pattern." Ultimately, one of them would be right because the market is going to do something and if you look at the broad swath of people predicting things on Wall Street, they are predicting every possible thing that might happen.

So clearly, somebody is going to be right and of course then they're right in just having some kind of insight that the rest of us wished we had. That's kind of like saying, "Oh look who won Powerball, they must know how to pick winning Powerball numbers, let's listen to them pontificate on how to pick winning Powerball numbers." Well no, they don't. They got lucky. Every possible Powerball combination had been selected by somebody. Somebody was going to win, it doesn't mean that they know anything about picking Powerball numbers.

[0:28:56.5]

FT: Right. Although some people where they can see numbers. “I woke up and I dreamt five, three and six and I played those numbers and I won the lottery,” hey.

[0:29:06.1]

JC: Absolutely. Anybody who is in the business of predicting the stock market, if they’re lucky enough to be right, they’re not going to attribute it to luck, they’re going to attribute it to their infinite skill and expertise that nobody else has. They might actually believe that but that doesn’t mean that they’re right. You’ll notice, there are very, very few people who can continually do that, who can continually predict it, even Warren Buffett who is arguably the best investor probably in history.

[0:29:48.3]

FT: Meh! I’m kidding. I’m being sarcastic.

[0:29:51.3]

JC: But I mean he doesn’t make any claims to predict the market. In fact he said at one point and I’ve now paraphrase because I don’t remember but he said, “You look at the last century and in 1900, the market was started at 600 and something and then it ended at 11,000 and something. How do you not make money in a market that does that? The answer is,” this is warren Buffett answering, “Is people try to dance in and out of it.” Meaning they try to predict it. Nobody can do it and it’s a loser’s game. I have one of the post in the stock series is *Why The Most People Lose Money in the Market.*

[0:30:35.2]

FT: Yet so many people make money throwing darts.

[0:30:38.5]

JC: Well they don't make money throwing darts, what they made money..

[0:30:41.3]

FT: Yeah they do, they get paid no matter whether you win or lose, I'm talking about some financial advisers.

[0:30:47.4]

JC: Oh right, oh absolutely. You can make — if you can convince people that you have a formula, you're going to make a ton of money if, instead of writing this blog and pointing out what really works, which is simple index investing which is also the least expensive way to invest, I should be putting together an advisory newsletter and claiming that I have a magic formula and I'd certainly make a lot more money. Problem is that, and I blame my mother for this, she instilled this damn conscience in me.

[0:31:24.6]

FT: Oh that conscience.

[0:31:26.4]

JC: I know, it's gotten in the way of my wealth building. But yeah, so nobody can really do that and if you try, you've set yourself on a path of failure and hardship.

[0:31:43.9]

FT: What's paid off more for you? Real estate? Stocks? Investing in this blog? What would you say is the best investment you've ever made?

[0:31:54.2]

JC: Let's start with the blog and say that there is no money in the blog. The blog covers its' expenses. I might have made money this year actually but so there is certainly — and I didn't start the blog as a money making venture so I'm not particularly worried about that and…

[0:32:15.5]

FT: Well maybe not on a dollar basis but the blog is going to live on, it's going to be the legacy and so in that ways it's immeasurable value.

[0:32:25.9]

JC: I think there's great value in it, it's just it's not been a money…

[0:32:30.2]

FT: Profitable, right.

[0:32:33.3]

JC: That was never my intention, as they say. I launched it as a means of basically store housing this information I wanted for my daughter and now it's taken on a larger…

[0:32:42.3]

FT: Now we're all consuming it.

[0:32:45.1]

JC: Well, not everybody but one interview at a time.

[0:32:49.9]

FT: Oh yeah. This podcast is going to break your website I'm pretty sure. No, I'm kidding. Brace yourself.

[0:32:56.4]

JC: Well actually, I have some great tech support now. That's the other thing, as the blog has grown, the cost of maintaining it has grown. So it's a couple of years ago, I had to figure — because I was willing to do this without making money, I'm not willing to do it out of pocket, having to pay out of pocket. So I try to monetize at the least at the extent that it cover its expense.

But to answer your question, I fooled around with real estate when I was much younger and stocks have certainly been far and away, in my life, the most powerful wealth builder that I've had and they're the way that I've reach financial independence. Real estate can be very powerful but I think where people get a little bit confused is that if you're investing in real estate, it is a hybrid of an investment and a job because real estate investing, requires a lot of your time and effort.

Now you could hire property managers and what have you and you can mitigate the amount of time. Well once you've been hiring people, you have to manage the people that you've hired and that's just a different kind of demand on your time. So investing in index funds really takes a very — you need to take a little bit of time to read my book or the blog or some of the other, some of Jack Bogle's great books on index investing and then you do and you set it up and you're done.

So real estate can be more powerful in terms of returns because you're adding your sweat equity into it and typically people will leverage real estate and of course leverage can magnify returns. But sometimes people lose track of the fact that leverage is a two edge sword and when you leverage something, you have the potential of enhancing your returns but you also have the potential of having a much harder downside if things move against you.

[0:35:05.4]

FT: Well, that is true and your book is called *The Simple Path to Wealth* once again for listeners and we're going to do something fun now, we're going to do some So Money fill in the blanks and…

[0:35:17.2]

JC: You mean this wasn't fun so far?

[0:35:19.1]

FT: What's that?

[0:35:19.4]

JC: You mean this wasn't fun so far?

[0:35:21.9]

FT: I'm saying, a light — well, we just talked about how, you know?

[0:35:27.8]

JC: I'm just playing with you.

[0:35:29.6]

FT: No, no, no, this has been really insightful for me, I've been smiling the whole time, if only you could see my face James, I swear to god.

[0:35:36.2]

JC: Me too, it's been a lot of fun for me which is why I made my silly comment just now but go ahead please.

[0:35:40.9]

FT: Okay cool. You're listener of the show so you probably know we do this sometimes at the end where I start a sentence and the guest finishes it. I think you'll like this first one because we mentioned it earlier about winning the lottery and what to do with a huge lump sum of cash.

So fill in this blank: if I won the lottery tomorrow, let's say a hundred million bucks, the first thing I would do — notice I didn't say buy — but the first thing I would do is ____.

[0:36:10.7]

JC: I'd put it in VTSAX and…

[0:36:14.5]

FT: Really? All of it?

[0:36:16.4]

JC: Oh absolutely, I would put a hundred percent of it in VTSAX and I am at the wealth preservation stage, I am currently living on my portfolio. I'm fully retired, as we discussed, the blog isn't making money. Yeah, I would invest it and now I would draw down on it. if I were younger I would invest it and just let it ride but using the 4% rule, which real briefly says that you can — there's been research called The Trinity Study done on this and I have a couple of blog posts on it if people wants the details.

But basically, in the vast majority of scenarios, you can pull 4% of your portfolio and do that indefinitely and it will support you. If you gave me a hundred million dollars, I would say thank you, I would put it in VTSAX and I will have four million dollars a year to spend.

[0:37:13.4]

FT: Then what would you do? Would you change your lifestyle at all?

[0:37:17.1]

JC: You know, probably not. I'm in a position where there's really nothing I want that I can't have. Now let me put in a caveat. My wants are very few. I mean, I've just never been somebody who wants a fancy car or a fancy house or a mansion or that sort of thing. So that's a caveat. Part of the keys to wealth, it's not just how much money you have, it's how much money you need and it's a balance of those two things.

So going back to that 4% rule, if you need a hundred thousand dollars a year to spend and you have a million dollars. You don't have enough to retire, because a million dollars is only going to throw out $40,000 a year, you need two and a half million dollars. Now, if you need a hundred thousand dollars a year to spend you have five million dollars, well you've got twice what you need.

So it's not just a raw number of how much you have, it has to be put in context of how much you spend. So yeah I guess with a hundred million dollars, one of the things that I don't have that I would like to have and that I would need a whole lot more wealth to have than I have, would be I'd love to be able to find private, I don't think I want all the plan, I want to…

[0:38:42.6]

FT: Especially now with these ridiculous lines in the airport. TSA needs to…

[0:38:48.4]

JC: I think, I forget the name of the company, but there are companies where you don't actually own the plane but…

[0:38:53.2]

FT: NetJets and — right.

[0:38:55.7]

JC: So I would do a NetJets kind of thing, but that requires a level…

[0:38:59.4]

FT: You could probably just buy your own plane at that point.

[0:39:02.4]

JC: Yeah, but I wouldn't want my own plane because I don't like to own stuff. I would much rather do a NetJets kind of thing and let them worry about maintaining the plane. So that's a long answer to your question.

[0:39:14.9]

FT: No, but it's good. I like all the steps we went through. One thing that I spend on that makes my life easier or better is?

[0:39:26.1]

JC: One thing I — you know, that's a tough one because my life is pretty easy. I think probably the thing that has made my life the easiest is when I sold the house three years ago and we're now back to — our daughter was grown and out of the house and we've gone back to being renters and I don't know if you saw the video I did.

It's based on the John Goodman bit, in the movie The Gambler where he talks about having FU money, so it's a little profane. But one of the things I say is, imitating John Goodman is, "don't buy a bleeping the house. Who needs the headaches but the land lord worry about fixing the bleeping toilets." So having a landlord to fix the bleeping toilets has made my life a lot easier.

[0:40:24.7]

FT: You never owned a home or you've just recently…

[0:40:30.1]

JC: Oh I owned houses for 30 years.

[0:40:31.4]

FT: At this stage in your life, you don't want to own.

[0:40:34.6]

JC: Yeah, I'm not a big fan of houses, in fact one of the most well-read post on my blog is titled, *Why Your House is a Terrible Investment* and it has gotten me both the most love and the most hate if anything I put up. I see houses as an expensive indulgence and if you can afford them and it's an indulgence you want, then by all means buy a house. As I said, I am not opposed to owning houses, I owned them for 30 years.

The first one we bought before my daughter — well first ones I bought were investment real estate but that's a different story. But the first single family house we bought was before our daughter was born and we happened to find this century house that we really loved and decided we wanted to own it so we bought it.

Then our daughter was born and when we moved to New Hampshire, we went looking for a house in the school district, the community school district we wanted. But we could afford to do that. If you're on the path to building your wealth, you want to think long and hard about buying a house at all and if you buy one, you want to buy the least house you can afford, if building wealth is important.

[0:41:48.4]

FT: When I donate, I like to give to ____ because ____.

[0:41:53.6]

JC: Well actually I have a post on that too titled, *How to Give Like a Billionaire*.

[0:41:58.1]

FT: Yeah, how do you give like a Warren Buffett?

[0:42:00.3]

JC: Well basically, yeah not quite at that level but a few years ago — it's more than a few I guess now. My wife and I established the JJ Collins charitable fund which is with a Vanguard. Vanguard has, I'm drawing a blank on what they call it. A charitable — what do they call it? Anyway, it's where you can donate a lump sum of money and then they in turn invest it and you distribute it to the charities of your choice where you tell them to…

[0:42:36.5]

FT: A trust? Is it like a charitable trust?

[0:42:38.4]

JC: It's kind of like a trust and there's a term for it Farnoosh and I'm just…

[0:42:42.3]

FT: That's okay.

[0:42:43.1]

JC: …drawing a blank on what the term is. As I say, I have a blog post that goes into it in depth. You make a lump sum donation and you can make additional donations if you want to, to your charitable trust and the beauty of that is that that is deductible in the year you make it.

[0:43:02.3]

FT: Last but not least. I'm Jim Collins, I'm So Money because ____. I know you've been thinking about this one for a while.

[0:43:10.8]

JC: Because I just wrote a book, your *Simple Path to Wealth*.

[0:43:14.1]

FT: Did you like writing the book? I mean it's different than writing your blog but.

[0:43:18.3]

JC: Gloria Steinem, if I remember it correctly, was once asked that question if she liked writing. Her response was, "I like having written."

[0:43:27.4]

FT: Yes.

[0:43:28.8]

JC: That's my response. I find writing to be sheer drudgery and a hard, hard work. I love the result. I love looking back on it and reading it and saying, "Hey, you know, that worked out pretty well, I kind of like that." But the actual process of writing, and if I had known how much work this was Farnoosh to do those book, which I've been working on for two and a half years, when I first started it, I was predicting, "Ah it will be out by that Christmas."

[0:44:02.0]

FT: Yeah, right.

[0:44:03.0]

JC: Here we are two and a half years — if I had any idea how much work it was going to take, It wouldn't exist but I love the fact that I've done it. But the process, yeah not so much.

[0:44:14.7]

FT: I've heard that quote before, I didn't know who it was attributed to, you say it's Gloria Steinem?

[0:44:19.3]

JC: I'm pretty sure.

[0:44:18.7]

FT: I just Googled it, I think some people are saying it's Dorothy Parker?

[0:44:25.4]

JC: Well it could be.

[0:44:26.2]

FT: I also heard it might have been somebody else. It's a good quote, no wonder people are borrowing it, it's a good quote, it makes sense.

[0:44:32.9]

JC: Yeah, maybe that I heard Gloria Steinem say it at one point just like somebody is going to hear me say it on this interview…

[0:44:38.9]

FT: They'll say, "Jim Collins had a brilliant statement." Yeah, completely agree with you and encouraging all us listeners to check out your new book. Jim, thank you so much, everyone check out JLcollinsnh.com.

[0:44:53.0]

JC: Thank you so much for having me.

[0:44:55.3]

FT: My pleasure, have a great book launch and hope to have you back sometimes soon.

[0:44:59.4]

JC: I would enjoy it, it's been an honor talking to you.

[END]

