

Farnoosh: Zac Bissonette, welcome to "So Money", my friend. It's been a while.

Zac Bissonette: Thanks so much for having me.

Farnoosh: You and I, we've been friends for a while now. We both started in the financial journalism world. You were in college, working in financial news and so you were far ahead of the curve than some of us other journos. You've had really storied career. I just gave this robust introduction of you with all your credits, and more recently, you've now launched a fantastic book, that sort of is not so much in the personal finance section of Barnes and Noble, but...

[chuckle]

Farnoosh: It's called "The Great Beanie Baby Bubble", and I think you and I are both of the generation, the Beanie Baby generation. My younger brother as well had like a massive collection. That story, few people know about, actually the story of how the business ultimately went away, what happened to that sort of the brain behind it. What brought you to be so fascinated by it and wanted to actually write a book about it?

Zac: No, I mean the... It's funny, the Beanie craze was kind of my first introduction to the weirdness of speculative capitalism. So I was in middle school when this thing hit, and I was kind of a weird kid, and I was very into flea markets and antique stores and that kind of thing, and I... When I was in middle school, I sold rare books on eBay that I would buy at yard sales. And so, my mother and I would go to this Dick and Ellie's Flea Market on Cape Cod in Massachusetts where I grew up, every weekend. And no one knew what Beanie Babies were, and then all of a sudden, this flea market became like 20% or 30% Beanie Baby dealers. And they had the most crowded booth, and I remember them with these like... They had fanny packs and visors, and they had tubs and tubs full of these Beanie Babies, and they were talking very...

Farnoosh: It's kind of creepy.

Zac: Yeah, and they would talk very excitedly about the rising secondary market for these animals, and how this one that they'd just paid \$5 for was now worth \$40, but that they had heard rumors it was gonna be retired, so it might be worth a \$100 in a couple of months. And it was just this really crazy thing that I remember kind of seeing just from having been at flea markets and that kind of thing, and it was really intense, and then it just disappeared, and then... And it was the weirdest thing.

Farnoosh: My brother is 10 years younger than I am, and he still to this day, if you ask him was the best Christmas present he ever got, it was this Beanie Baby that I got for him off of eBay. I spent all my college money, not all of it, but 50 bucks back in college was a lot of money for me, and I bought this...

Zac: Which one was it?

Farnoosh: It was "The End". It was the millennium.

Zac: Oh my God! "The End Bear".

Farnoosh: "The End" bear.

Zac: Yeah, yeah.

Farnoosh: And I got it. And he was like eight or nine at the time he opened the gift. He literally did a lap around the house, like a few laps, like screaming, like as if his team won the World Series. And now, going back to my parents' house just a few weeks ago, they bought like this big Tupperware vat of Beanie Babies, collecting mold and dust in the garage. So, I'll send you that picture.

Zac: Yeah. Everyone does. I mean, my kind of reintroduction, I had not thought about these in years, and then I was a senior in college at the University of Massachusetts in Amherst, and I was still going to auctions every week, and I went to this kinda dinky little auction house, and sitting in the back of the room, they had all these big Rubbermaid bins full of Beanie Babies. They were selling them as one lot. And then the Beanie Babies themselves weren't that interesting, but it was really this kind of conviction, who have ever dissembled the collection, that they were doing something really important. So all the Beanie Babies had tag protectors, some of the bears were in individual Lucite containers, and there were all these price guides, and check lists, and spreadsheets about what each one was worth. And I think the whole lot sold for like a \$100 or something. And I remember thinking like... Like wanting to know how did this sort of strange thing happened.

Farnoosh: And then I got home and Googled it, and there was really no kind of post-mortem on how this had happened. But what struck me and made me wanna do a story on this and think that there was a story was it, you know, I would never have guessed. If someone had asked me, "How much is the guy who created Beanie Babies worth?" I would've said, "I don't know, \$50 million, \$60 million," something like that, but I mean he made about \$2 billion on these things. In 1999 alone, his adjusted gross income was \$670 million. It was so much bigger than I had realized. And really, all of it at the height of it, driven by this sort of collective dream that these were an investment and not just a toy. As best I can... From having talked to a lot of retailers and dealers, 70% of the demand was from speculators. These were only nominally a toy. That was what made it so interesting to me.

Zac: And so, what are the correlations? You said this was really metaphoric and really symbolic of the capitalism that we live in today, in some ways. What were the parallels that you found?

Farnoosh: I think the biggest thing, and it's something that if you read about the history of speculative bubbles, going back to Charles Mackay and then up through the newest edition of Robert Shiller's book "Irrational Exuberance." The way that speculative bubbles really... They're spread by stories more than anything else, because speculative bubbles, sort of by definition, are about investing detached from fundamentals, and detached from sort of sober analysis. And so, when I sort of tracked down how this thing started in the suburbs of Chicago with a relatively small group of women who were trying to assemble complete sets, and sort of were incidentally calling stores all over the country, trying to find the rare pieces that... Trying to figure out... They wanted to assemble complete collections. They didn't even know what a complete collection meant exactly, 'cause this was before there was really much of a market for them.

Zac: But it was the stories of how much this relatively small group of people was paying for the rarest pieces, to kind of spread word of a bull market in these animals. It's not unlike real estate, where in a real estate bubble, what really drove that, and when you look back to the media coverage, which I did while I was working on the book, was that people were lured into asset bubbles by stories of other people getting rich. Charles Kindleberger, the economist, said that there is nothing as dangerous to one's well-being, and sort of sanity as to see a good friend get rich. And I think that, that was kind of the moral of the story for me was the sort of destructive lengths that people are driven to by hearing stories about other people doing well financially.

Farnoosh: I love the way you think, Zac. You see stories where no one else does. You have a curiosity that

leads to great books and...

Zac: Thank you.

Farnoosh: Yeah. Of course, many people might know you from your previous works, "Debt-Free U" was a best seller, talking about how you managed to finish college debt-free and pay your way through that. "How to Be Richer, Smarter, and Better-Looking Than Your Parents" was your second book, really looking at how to manage your money wisely as a young adult, and it came... This book arrived sort of after the financial debacle, and when the sky was falling and everybody lost their jobs, so it's like, we had to really refresh and rethink about money at that time. So, all this to say that you have a very intellectual curiosity, a very healthy curiosity about money and how the world works. And so, I wanna kinda go down memory lane a little bit with you and learn kind of what was the genesis for all of this, and maybe start with the question that I ask all of my guests to set the tone for the rest of the interview, which is, "What do you think is your financial philosophy, like a money mantra that you either learn as a young kid, or that you recently inherited or adopted that helps you make the best decisions with your money?"

Zac: Yeah, I'm trying to think of how I would distill it to a mantra. I guess the thing to kind of back into that, the thing that's always fascinated me, and I guess the kind of... Because it all seemed very different. But I'm just really, really interested in, when people think they're doing something smart, but are actually doing something really stupid. And so that's the... I think all my books are kind of about people making really dumb decisions financially. So, my first book was "Debt-Free U", was about how people were signing themselves up for crippling debt loads, while thinking that they were making the right decision, when of course they weren't. And then my second book was kind of along those lines, and the Beanie Baby book was about the stories of people losing their kids' six-figure college funds hoarding Beanie Babies thinking that they were gonna pay for college with them. And so I guess what... If I were to sort of boil it down, it would be to realize just how wrong your analysis of financial stuff can be if you're not framing it right. It isn't just behavioral, although a lot of it's behavioral, that you really can think that you're doing the right thing and be doing the wrong thing, and that's where the education piece comes in.

Farnoosh: Is that because we just follow the pack? We follow the herd. We...

Zac: Yeah, totally. That's a lot of it, and focusing on the wrong things, excess. There's a reason that every mutual fund ad has a disclosure in it, "The past returns are not necessarily a predictor of future results". And people say that, but I think very few people sort of know that. I think they know that intellectually, but the past returns are what drive people's decisions. And so, with the beanie craze, you had people... The first Beanie Babies had risen in value, and of course that didn't mean that the newest ones, which were by then mass produced would, but everyone thought they would, which of course, at the same time, guaranteed that they wouldn't. [chuckle]

Farnoosh: So just a quick catch-up, that guy who invented them, you said he was worth like two billion at one point. What...

Zac: Yeah, still is.

Farnoosh: Still is, okay. So, didn't he have some sort of legal run-ins?

Zac: Yeah, just a little bit.

Farnoosh: Just a few.

Zac: Yeah, just a little. As a lot of people were at the time, in 1996, when he was... He was a college dropout. He'd studied one year of drama at Kalamazoo College, and then he'd been a toy salesman, gotten fired from that job, and really only became spectacularly rich in his 50s, in his early 50s. And as that happened, he decided that he would put about \$100 million in a Swiss bank account and not tell his accountants about it. And so, they finally caught up with him, and in 2013, he pleaded guilty in the largest bust of the offshore tax evasion, in US history actually, pleaded guilty to a felony. He was sentenced to probation, which was well below the federal sentencing guidelines but the government has appealed that sentence, which was very unusual, and that is still pending, so there is a chance that he will end up in federal prison.

Farnoosh: That's quite the end to that story, the end. See how I brought this back to the end?

Zac: I'm sorry?

Farnoosh: It's "The End", like the Beanie Baby that I bought in college.

Zac: Exactly. That's a funny example, that even Ty himself, was I think, not immune to the idea that this thing was a bubble that had spun out of his control. And so it's funny that you mentioned "The End" bear. Do you know the story behind that bear?

Farnoosh: I just thought it was because it was the millennial, and there was a lot of... At the same time, there was a lot of excitement for it, but it was also like this scary time in our history.

Zac: Right. I'm sorry.

Farnoosh: It was a scary time. So the bear was black, which was kind of like a weird thing.

Zac: Yeah. So what happened was that the Beanie craze was... There were starting to be indications that it was slowing down, and that the sales were still very strong but they were running into problems with the... Newly retired pieces were not appreciating in value the way that they always had. And Ty, who was this very eccentric, obsessive-compulsive perfectionist, I think didn't realize the extent to which this animal that he had created, the Beanie Baby lines, had spun into this thing so far beyond anything he could control. And Ty had this idea, and he called his girlfriend, ex-girlfriend by then, who was running Ty's distribution in the United Kingdom, and he informed her that he was going to get rid of all of the Beanie Babies, and stop making Beanie Babies, and replace them with this new line called Beanie Kids, which everyone listening to this should do a Google image search. They are absolutely hideous

Zac: And Ty's idea was that he would get rid of Beanie Babies and then duplicate it with Beanie Kids. And Ty's ex-girlfriend said to him, "You know, Ty, the Beanie Kids are ugly. It'll never work, and people see it as a stupid stunt." But he'd announced that he was retiring all the Beanie Babies, and the "End Bear" was the bear that he used to kind of make that announcement. And he went over with his girlfriend at the time, over tons of different poem ideas for the hang tag, for how to kind of convince people that he was getting rid of Beanie Babies. And then he rethought it and decided that he wouldn't get rid of them after all, and then he released a new line of Beanie Babies in the new millennium. But the "End Bear" kind of encapsulates how flimsied his own thinking had become, and how, just like the speculators, he wasn't able to sort of fully comprehend what had happened, even though he was the one behind it.

Farnoosh: I'm on eBay right now, and by the way these are hideous, like you said. Beanies Kids, they're like \$5.99, \$6.00.

Zac: Yeah. No, and they had all kinds of problems. I don't know if you can tell, but they have these really weird hairlines. They shipped the Beanie Kids, and the retailers were complaining that the hair came looking really weird. So then Ty was trying to tell all the retailers, "You have to brush the hair before you display them." But they weren't gonna do that, and it was a huge flop, and the company lost a lot of money, and it was a disaster, and kind of emblematic of how... Ty, early in his career, and really right on through the Beanie craze, had been a perfectionist, and he's gone back to that in a sense, but he would spend eight hours on a photo shoot just for a single stuffed cat for the cover of his catalogue

Farnoosh: Oh my gosh.

Zac: And he would personally trim and groom every animal before it was shipped in the early days. But he actually told people right before he released Beanie Kids, 'cause people were saying it was ugly. And he told one of his employees, he said, "I could put the Ty Heart on manure and people would buy it." So he had really come under the hold of his own crap.

[chuckle]

Zac: And kind of, he'd become... And there was, I remember reading a book that was saying that, Ty had become the biggest sort of bubble of everything that was surrounding this bubble. He had kind of become enraptured in his own thing

Farnoosh: Did you reach out for a comment or an interview with him?

Zac: I'd try. I met him once at Toy Fair. Someone had told me what time he would be there, so I went to his booth and kind of waited for him. And, there's no nice way to say this, but the first thing when you see him, he's had a lot of plastic surgery. And so I'm standing with... So I saw him walking over towards his booth. He's 70 years old now. He's a strange looking man. And he hasn't done an interview since 1996. He's very, very reclusive, kind of has modeled himself after Howard Hughes. But I was able to catch him, and I talked to him and I told him that I was doing a book on the Beanie Baby craze, and he said to me, "Well the Beanie Babies... ", he said, "It was a lot of good and a lot of bad. And if I told you the story, I would just tell you the good and then it wouldn't be balanced." And I said, "Well, Mr. Warner, I would talk to other people too." And he said, "No, I think it's better if you just talk to other people." And then he just kind of walked away.  
[chuckle]

Farnoosh: Well, that's a good story.

Zac: Yeah, and so that was what I did. But I was able to talk to his estranged sister who... Just to kind of give you an idea of what his interactions with people have been like. When I was talking to his sister, his sister has no money and has a lot of medical debt, and she had asked him if she could borrow \$1,000 'cause she was being hounded by debt collectors. And Ty, who has a \$150 million home in Montecito, California that he built, told her "no."

[chuckle]

Zac: So, that was kind of... In telling the story, a lot of it was talking to people who did not have nice things to say about him.

Farnoosh: Well, we detracted a little bit, because this story is just such a fascinating one. But I really wanna

get back to learning more about you Zac, personally. You mentioned earlier about growing up and how you went to these flea markets, and I wanna learn a little bit more about your biggest money memory growing up, like what was the biggest influence to you financially as a child growing up?

Zac: God, it's kind of a bummer, but it was that my parents argued about money constantly. That's the thing that jumps out. I wish it was as happy as the Beanie Babies, but no, it's not. That was my memory, is that my parents... My mother felt that my dad was irresponsible. That was my memory.

Farnoosh: And how did that manifest? And I had the same experiences growing up, too. Money was a big point of contention sometimes, like between my parents. Did you have a moment in your childhood where you were like, "I never want to be like that!"

Zac: Yeah, totally. No, I mean I wrote about this in my first book a little bit. But, no, I remember, I would like hide and we had this storage room called the "cold room". And my parents would just argue about money and I would hide in there, hugging a teddy bear, just to bring it back to Beanie Babies. But, yeah, no, I think it was certainly... I think it's the reason my parents divorced. More than anything else, I think was that, just the conflict over that and the stress, and the anxiety, and totally was something I knew that I didn't want in my life.

Farnoosh: You write these great books about how to be financial winners, basically, especially young adults who need this advice so much. What would you say though, to be contrarian, was your biggest financial failure, if you ever had one?

Zac: Biggest financial failure. God, I don't know. I try to be responsible. I guess if it were... The one that jumps out is, when I was in college, I mulled getting a condo in South Beach, and I didn't because I was concerned that the market was... That the condo associations were in trouble, and there was a lot of foreclosures then, and it was just very scary. And I decided not to, and instead I bought another place in Amherst, Massachusetts, which I still have, which I rent out, which has been okay, but certainly the returns in Miami have been a lot better, because that would've been really buying at the bottom. So I think I was scared a little bit, just by the kind of headline risk, and that kind of thing, where... Looking back, it's so easy to say that was the perfect sign that it was time to buy. But, I think it always is hard, because when you look at things in hindsight, it's so easy to say, "Oh yeah, that was a sign that you should've bought," but at the time, those risks seemed so real. And then of course, you look back and you wish you had. So I think that that's the one that jumps out.

Farnoosh: Yeah, real estate is so... You don't wanna be speculative, especially now that we know what happens when you are.

Zac: Right, yeah. But at the same time there were... I remember talking to David Bach about it. I think you're friends. I think you've interviewed...

Farnoosh: He's been on the show. Yeah, he's a friend.

Zac: Yeah! No, I remember talking to him in maybe 2009 or something, and him saying... Because I can remember the story. He said that people were going to get really rich buying real estate in that market, and people absolutely did. There were sort of a window of opportunity in certain markets, where if you had the kind of fortitude.

Farnoosh: Chutzpah.

Zac: Yeah, I know. I was trying... That's the right word. Yeah, but it was not easy. And so I stuck with a lower, with what felt like a lower risk thing in Amherst, where there were no foreclosures really. And it's been okay, but I would have made more money in Miami.

Farnoosh: Yes, yes. Well let's talk success. You've had a lot of financial wins in your young adult life at... Are you even 30 yet?

Zac: Twenty-six.

Farnoosh: Twenty-six, give me a break! Well, that's good, I mean, amazing! 26 years-old and so much accomplished already. What would you say is your proudest "So Money" moment?

Zac: Proudest "So Money" moment? God, I don't know. I guess, finding a way to make a career out of writing a book about Beanie Babies I think I'm proud of. [chuckle] It was a story that I really wanted to tell, and it was not easy to get a publisher on board with that, frankly, and it took a lot of selling to get them to realize that there was a story there. I think that's the thing I'm proudest of, just really seeing that through, and pushing on it.

Farnoosh: Would you say this is what you always wanted to do and all the other stuff was preparing you for this?

Zac: No, I don't know. I've never had a plan, except in so far as not having one, is one. But I've always tried to do stuff that I thought was interesting, and good, and worthy, and I've never... I think you've had a little bit of this too, you never... I feel like as soon as you start trying too hard to kind of cultivate a brand, it becomes kind of inauthentic, and people see through it. So you want to keep it eclectic, and I've tried to. I think people will look at that and think it's unfocused maybe, but... I don't know. I don't really care.

Farnoosh: Good for you. Alright, let's talk habits. I want to know what's your number one habit that keeps your financial outlook healthy and well managed?

Zac: Yeah. I think the number one thing is just reminding myself that the things I enjoy don't really cost a lot of money, and that the things that I... 'Cause everyone could always spend more money, right? But just reminding myself that I don't really want that stuff, and that it's not worth it, and that, yeah, my apartment's small, but I like it, and whenever there's temptation, when you see another really nice apartment, to just realize that... I think just realizing what's gonna make you happier and what isn't.

Farnoosh: And to be 26 and to know that is, I think, is "So Money".

Zac: That's something my mother really was helpful with drilling into us.

Farnoosh: Okay, Zac, "So Money" fill in the blanks, are we ready?

Zac: Yes.

Farnoosh: Okay, if I won the lottery tomorrow, let's say you won mega... 100 million bucks, the first thing I would do is...

Zac: I would use the money to launch a ballot initiative to get rid of state lotteries, 'cause I think they kind of exploded...

[overlapping conversation]

Farnoosh: That is the best answer I have gotten. I have to say.

Zac: They just dump what should be... It's essentially a way to lift the tax burden off of the people who should be paying it, i.e. Rich people, and use sort of a dirty trick to get low-income, less educated people, who are the people who play the lottery, and that's statistically proven, to kind of pay rich peoples' taxes for them. It enrages me, so that is what I would do.

Farnoosh: You have actually gone to task. You have called out reporters for... Even just putting out a simple headline story about like, "Hey... "

Zac: You remember that. That's so funny that you...

Farnoosh: Oh yeah, yeah. You went after like a CNN reporter. You're...

Zac: Yes, I did. And I should say, I have a pent-up vat of venom on this issue. The media is kind of cheerlead-y reporting on the lottery. If you really look at it, it is such a scam. It is so evil, so.

Farnoosh: That's the best answer. I think it's so meta. I love it.

Zac: No, that's what we try.

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

Zac: Better. I've been asked this question many times and I always give the same answer. Everyone always makes fun of me. I love scented candles.

[chuckle]

Zac: So I buy huge numbers of scented candles, and there's a funny story about this. So, I had given Ron Lieber at the New York Times an idea for a story that he ended up using. I got an email from him saying, "That story was great. I need to send you a gift," and he remembered that I like candles, so he sent me... Ron Lieber sent me this like \$90 candle from Neiman Marcus, 'cause his mother works there I guess. And so I get this candle. It's really small and \$90, and I have not lit it yet, because I am afraid that this candle, if it lives to billing, will turn me into someone who needs \$90 candles.

Farnoosh: Oh my gosh! Ron Lieber, Personal Finance Columnist of the New York Times sending you \$90 candles?

[chuckle]

Farnoosh: I've had him on the show. He's fantastic.

Zac: Oh he's great. Isn't that funny, yeah. So, I have not lit it, because I am terrified if I like too much. So it's just sitting in the closet.

Farnoosh: You know what though, you gotta live a little Zac, just light the candle for once and for all.

Zac: But then what if I actually like it and I start... Because the thing is, if I'm home I have a candle I'm gonna



have to...

Farnoosh: Well, you just tell Ron that you'll keep feeding him really good stories, if he will in exchange...

Zac: That is a compromise. He just needs to subscribe me to candles. Okay, good. Got it, done.

Farnoosh: Alright, done. Biggest guilty pleasure that you spend a lot of money on?

Zac: It's kind of... Guilty pleasure. I don't really believe in guilty pleasures. I think if you enjoy something you should just enjoy it. What would I say? I guess art. I'd buy a lot of art.

Farnoosh: Alright. What kind of art are you into?

Zac: I like like art-deco stuff, illustration stuff, actually just... I'll send you a photo, because I framed some really cool... I bought all these old Harper's Bizarre covers from like the 1920s, and I just framed them. They look really great.

Farnoosh: Awesome.

27:09 ZB: I'm looking at them right now, so.

Farnoosh: One thing I wish I had known about money growing up is...

Zac: God, I think... I always tell people that my dad taught me about money the way that an alcoholic teaches kids about drinking.

[chuckle]

Zac: So I think the stuff I learned about money growing up was very real and very good. And I think 'cause my parents, I think lacked the self-awareness to really shield us from the issues as much they knew should have. But I think in hindsight, it was probably good. And I then think, and this is what Ron's book about, is that when you hide your kids from money issues, it often is not good. There's a lot of learning to be had there.

Farnoosh: Absolutely. And when I donate money, I like to give to blank because...

Zac: Libraries.

Farnoosh: Nice.

Zac: Yeah. No, I actually... Ron and I were just talking about this too. I think Ron did this too. Ron and I gave money to the Ferguson Public Library, which was fun. That is what we did for our, sort of holiday giving, which was cool. No, I think you get a lot of bang for your buck there. There's not a ton of bureaucracy. It's something that's available to everyone. It's free. So I'm a huge fan of libraries, everyone should donate to libraries.

Farnoosh: I like that. I like that a lot. And then last but not least, "I'm Zac Bissonnette, and I'm 'So Money' because..."

Zac: God, I don't know that I... Can you call yourself "So Money"?

Farnoosh: You can. You can. On this show, it's the only place you can do it.

Zac: Alright, cool. I'm "So Money"... I guess, I think of it as an accomplishment that I was able to spend two years of my life reporting on the Beanie Babies craze.

Farnoosh: I would say so. Yeah, you had some money in the bank to let you do that freely.

Zac: Yeah, and I think that's cool, so there we go.

Farnoosh: Everyone, run and go buy "The Great Beanie Baby Bubble".

Zac: Absolutely, multiple copies.

Farnoosh: Multiple copies, give them away as gifts. Especially if you grew up in the '90s and 2000s, you have a memory. Everyone's got a Beanie Baby story. I think that's what this makes this book such a... One that connects so much with people. So thank you very much, Zac Bissonette.

Zac: Thanks so much. This was a blast.