

Diversifying

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What Investing and Pizza Have In Common



Speakers

, Delyanne Barros, Kara Perez

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I didn't really care to know anything about investing, because growing up again, first generation, the goal wasn't to gamble with your money, right? That's how we viewed investing or as something that only rich people did wealthy people. Because if you entered into the market and you lost all your money, then you were just out of luck.

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Delyanne Barros

That's Melissa Jean-Baptiste. She's a first generation Haitian-American and the co-founder of Millennial In Debt. When Melissa graduated college in 2010, she had over \$80000 in debt and was trying to pay it off on a teacher's salary.

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And so at 22 years old, I had this fantastic work mom who told me, Hey, you should probably start putting money into a 403 B, and I'm like, Lady, um no.

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Delyanne Barros

Her work mom was encouraging her to invest in her future by contributing to a retirement account, which, unlike a savings account, is invested in the stock market. And to, Melissa, it sounded pretty risky.

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I have things I want to do with this little bit of money that I'm making. I'm not about to put money into an account that I can't, you know, use or access for X amount of years.

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Delyanne Barros

She wanted her money to pay for a car, vacations and daily expenses. But with some persistence, the efforts of Melissa's work mom paid off, literally. She opened a 403B retirement account, and today it's worth over \$120000.

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She really helped me figure out like, Hey, you can start off at three percent, you can start at five percent. And every time, and I never forget, she's like every time we get a little bit of a raise, raise your contribution. And just every year, I just kept adding and adding and adding, and then it became kind of natural. And I'm like, Oh, I want to learn more about this.

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Delyanne Barros

Melissa has since paid off her \$80000 student loan debt and spoiler alert she's not a teacher anymore. She's now in marketing for a financial tech company while also running Millennial In Debt. Many of you may be where Melissa was, you know, that you should be investing, but you don't know where to start. Some of you called in and told me exactly why you're feeling stuck.

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Caller Montage

That's been a barrier of education and awareness. It's been a barrier of consistent income. I'm scared that I may lose a lot of money, and I feel like I don't have enough resources to invest. You hear tips and tricks on the internet and on Instagram, but you don't know those people, so it's difficult to you feel like you have to research the person and really get to know them before you can trust them.

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Delyanne Barros

There's a lot of information about investing out there, and honestly, a lot of it is confusing. And while Melissa had the help of a mentor to guide her first financial steps, other people aren't as lucky. So think of this episode as a starter kit, a beginner's guide to investing jargon that you can use to start your journey. We can't possibly cover everything in 30 minutes, but we're ambitious today. We're breaking down 401Ks, the stock market and index funds. I'm Delyanne Barros. Welcome to Diversifying. If you didn't already know, investing is my thing. On social I post about the stock market all the time and how I began pursuing financial independence. But before we get into all that, let me just say that it hasn't been easy. This stuff is complicated and confusing, and I'm still learning something new every day. Please note that this episode isn't intended as investment advice, just education. It's a starting point. Every person's situation is unique. That's why it's called personal finance. I started learning about investing just three years ago, and today I have a million dollar portfolio. That's a pretty rare accomplishment for a Latina like me. And although I can put my money where my mouth is. Women of color aren't taken as seriously in the financial industry. That's something that Melissa, the self-proclaimed Beyoncé of personal finance and I have both encountered.

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I was asked to speak at a financial engagement. And it, I'm trying to say this as diplomatic as possible. The audience was a little older, so they were expecting a certain type of conversation around money, around investing, around finances.

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Delyanne Barros

So were they older? Was also the majority of them white?

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Correct? Yes. Yes. And a lot of men.

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Delyanne Barros

A lot of men. OK, got it. And what do you think they were expecting?

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Definitely not me, that's for sure. But definitely not, you know, an African-American woman, short big hair and, you know, no one said anything insulting no one said anything rude. But you could tell like you can feel in the environment where people are just like, Oh, you know, and they're listening to you like, OK, like, OK, oh, all right.

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Delyanne Barros

This feeling of exclusion makes marginalized communities believe they're not welcome in the financial industry. As of last year, only seven percent of the workforce on Wall Street was black and roughly 10 percent was Hispanic or Latino. That's where Melissa and I come in.

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Slowly but surely, we are making changes in this industry that reflects a more diverse population, but I 100 percent understand, you know, I don't want to be at a table where no one looks like me and no one talks like me, and no one has had the similar experiences that I've had. It makes me feel like maybe my dollars don't belong here.

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Delyanne Barros

Let's start by busting the common personal finance myth that you have to be debt free to start investing. You don't.

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Hey, you know, being debt free gives you more access to your money to do more things like great. However, as someone who started investing while in a lot of student loan debt, I disagree because at 22, if I didn't start, I would have to work until 62, 65 years old and I would have missed out on 10 years, nine years of investing where my money was growing and compounding. That's 10 years. I can't get back.

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Delyanne Barros

You might be saying, Delyanne, what if I have bad debt like on my credit cards or my student loans or medical debt? Doesn't that affect my investment timeline? Listen, there's no such thing as good debt or bad debt. If you don't pay that bank, they're going to come and take your house or your car. And if you can invest while you have a mortgage, you can also invest while you're paying off student loans. The typical repayment period for someone to pay off their loans is 20 years. Can you imagine telling someone they can't invest for 20 years? That's valuable time. They'll never get back. What I'm saying is there's every reason to start today.

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I put money into my investments and then I trickle down the rest of my money into the bills because I have a mortgage and I'm still going to invest because the mortgage is going to go away. But the amount of time it takes me to pay off that mortgage, I would be missing out on investments.

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Delyanne Barros

The one thing you should prioritize before investing is an emergency fund or what I like to call an oh shit fund. The usual recommendation is three to six months of expenses in a savings account.

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So you want to have an emergency savings fund prepared because emergencies happen and you can't fix a leaky roof with an Apple stock like you can't.

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Delyanne Barros

OK, now that you've got your oh shit fund set up and you've made a separate plan for your debt, let's get into investing even if all you have left over after bills and savings is five dollars. The good news is you might already be doing it and you don't even realize it.

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And once you start talking about 104K's or retirement accounts, people are like.

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Delyanne Barros

Snooze.

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Yeah we don't care.

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Delyanne Barros

Yeah, goodbye. Many people have retirement accounts like 401Ks or 403 Bs through their employers. And you should care about these because this is money coming out of your paycheck. They may not be sexy, but they are powerful tools. In fact, the number of 401k millionaires nearly doubled in 2021. Retirement accounts like 401Ks are invested in the stock market and make money off the money you contribute. Tax benefits are a huge pro of using these accounts, as is automation. Your contribution comes right out of each paycheck so you don't have to do anything else after it's set up. Many employers also offer a match, which is essentially free money. If you contribute, they'll match your contribution. It's like automatically doubling your investment. Ask your H.R. person if your company offers this. If you're thinking, Can I just put my money in a savings account like my parents told me to. Do I have to do this whole stock market thing? The short answer is that your savings account is not going to build significant wealth the way investing does.

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You cannot save your way into wealth, right? And so if the goal is generational wealth is to retire early or to retire comfortably, right? Saving is not going to get you to the place that you want to be.

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Delyanne Barros

These days, if you ever want to retire, you've got to do it through investing.

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I had this conversation with my dad about two years ago because he was one of the biggest like don't waste your money. Save your money. Put your money in a savings account. Save your money. Save your money, save your money. And of course, he you know, he didn't know like what you don't know. You don't know. And I had this conversation with him. I'm like, Dad, I wish you would have told me to invest my money, invest my money, invest my money the way he told me to save. So you're investing really to one, you know, builds wealth, but also to outpace inflation because inflation is going to keep coming.

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Delyanne Barros

There's honestly so much more to say about retirement accounts. They vary widely. So if you want to know more about yours. Call your H.R. department or check out some websites like NerdWallet and Investopedia and 401ks are just the beginning. There are many types of investment accounts. You can also open investment accounts on your own, like a Roth IRA or brokerage account. But let's back up a second. Your 401K is invested in the stock market, but what even is the stock market? Isn't it just a bunch of suits on Wall Street shouting at their computers? Maybe for some, but thankfully that's not what you'll be doing. The stock market doesn't have to be this big, scary thing. Melissa and I like to think of it as simply another avenue to build wealth. Here's an example to help you visualize it. Think of the stock market like a flea market. Each little stand is a company, and each product you buy at that stand is a share of that company. So you're walking around shopping and you make a purchase that you think will be more valuable than what you paid for it. Now you own a piece of that company. Next, you'll have to wait to see if the item you purchased will actually increase in price or not. That's what buy and hold means. That is literally all being a shareholder is about. And you don't need a lot of money to get started.

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There's this idea that only the wealthy can invest, and that's not true.

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Delyanne Barros

People look at something like Amazon. Well, I want to buy some Amazon, and then they look it up and they're like thirty three hundred dollars. Well, I don't have that. So I guess it's not for me.

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It doesn't have to be this huge amount of money, and you don't have to try to pick like, Oh, what is that stock that's going to send me, you know, to the Moon?

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Delyanne Barros

One thing you want to avoid are meme stocks or whatever. Some billionaires tweeting about that means stay away from something that's getting a lot of hype on social media. Instead our Beyoncé of Personal Finance recommends taking the time to strategize, map out a plan with an end goal that fits into your lifestyle and your risk tolerance.

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That's what I love about investing, there's many different ways you can do it that fit your needs and your lifestyle. So don't be afraid to be the unexciting investor. Always what I call it's like I'm on my portfolio is not exciting, but the gains.

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Delyanne Barros

The gains, though, are exciting. Which brings me to one of my favorite subjects. Pizza and by pizza I mean, index funds confused? Don't be. What if instead of buying pizza slices, you could buy the entire pie? Think of individual stocks as pizza slices and index funds as the entire pie. The entire pie includes the stocks listed on the stock market.

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When you are buying an individual stock or you're trying to buy, let's say, Apple, Tesla or Google, whatever it is, you're buying one slice, right? An index fund you want to view as an entire pizza. So you're getting all the companies in that particular index fund that you're buying and you can buy index funds in different industries.

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Delyanne Barros

Yeah. And I mean, listen, I tell people investing can be as simple or as complicated as you make it. You can invest in one index fund and call it a day.

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You can start off with \$5. You can set up at ten dollars and see that money grow and gain more confidence and learn more as you're going without dumping your entire you know, life savings into the market.

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Delyanne Barros

One very popular index is the S&P 500. This is a group of the top 500 companies in the U.S. stock market that includes Apple, Facebook, Amazon, Google. You may have heard of some of these. So when you buy an S&P 500 index fund, you can own a piece of all of these 500 companies. There are also index funds that include the entire stock market, which has thousands of companies listed.

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You'd be getting about 4000 companies right, which I would much rather have 4000 companies in my portfolio than trying to pick out one stocks that I think is going to do well. But I also just like the diversification, and it also helps to cushion the volatility, right? So the market is going to do what it's going to do. But with index funds, it is a lot less volatile than if you were just trying to cherry pick individual stocks.

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Delyanne Barros

Index funds are perfect for all investors, especially beginners. Every broker offers them, and they're low cost. For example, at Fidelity, you can purchase a total stock market index fund and pay no fees. Oh, and you can start buying this index fund with just a dollar, thanks to a little thing called fractional shares. It means you're buying a little piece of an entire index fund share. If you can't afford the full price, fractional shares have been a game changer for investors with lower income. Fees are the enemy of the index fund investor, so make sure to watch out for actively managed mutual funds that can get pretty expensive. As much as possible you want to keep fees from eating away at your profit. Now that you have some options to choose from and you've decided what's right for you, how do you actually start? We're going to talk about how to buy an index fund after the break. Welcome back. Now that you know about the stock market and index funds, how do you actually buy them? First, you choose a broker like Vanguard, Fidelity or E-Trade, and you open an account online. Melissa Jean-Baptiste, founder of Millennial and Debt, suggests you do more research first.

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Do they have fees? What do they charge? Is there a commission, right? You just want to know what is going to be impacting your money? The second thing when you're doing research is you want to know what are these index funds housed performance, how's the history? And I like to use, you know, simple, simple, simple terminologies. If I'm on a website that's confusing me, I'm leaving that website.

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Delyanne Barros

Yeah, what I tell people is that you're looking for patterns, so don't ever go to one source and be like, I'm going to follow this one source, right? You want to have several points of reference so that you're like, Ooh, this person talked about index funds and that person talked about it, then that person echoed it. And you're going to start to see patterns and then you're going to start seeing, OK, I think this is the route that I want to take. I think that's a good way to do it. You want to crowdsource your information.

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I like to keep it super simple, like Yahoo Finance, Morningstar. Those are like my pillars for investing just because I find their information valuable, and it's from a credible source. I don't want to just be getting information from any Google website that pops up. I want to make sure that it is credible and that they, you know, their information aligns with what I'm trying to learn.

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Delyanne Barros

Once their accounts are set up and you've chosen your investments. Commit to your plan for the long haul. You want to keep investing consistently for years until you reach your goal, whatever that may be. Try not to use your investments as an expense account. Melissa did that once, and she regrets it big time.

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I love talking about my financial mistakes because I think people get to a place where like, Oh, you're a financial guru, I'm like, I'm a what? What am I? Like, no.

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Delyanne Barros

I hate that word.

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Please. When I was moving into my house and I really needed to buy furniture, I was fortunate enough to buy a lot of Netflix stock when it first was like, I think, seventy or eighty dollars a share. And at the point where I was moving out, I had I gains like so many gains because it was trading at like three hundred dollars before. I was like, Oh my God. And I sold my Netflix stocks to buy furniture to my furniture. And literally, like three or four months after I did that and then the Netflix stock kept going up. I'm like, Really? I don't even like this couch anymore, right? Like, the value of this couch has decreased

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Delyanne Barros

Oh that one must have hurt.

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And so that was one thing. I was like, no more. No like long term investor, Melissa, you know what long term means.

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Delyanne Barros

What Melissa would have done differently is create a sinking fund, which is just a savings account that's not invested in the stock market. She would set a little bit of money aside each month for her new couch. You can set up sinking funds for any short term goals vacations, weddings, a down payment for a house. And what makes all this worth it? Why should you put money away for years and years instead of enjoying it today? Because you want to live your best life today and tomorrow. Wouldn't it be nice to stop working someday because you chose to do so, or maybe cut back on how many hours you work? Investing for the long term will help you do that. Saving alone will not. For Melissa and I, it's all about perspective.

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Don't let this current moment let you feel like, Oh, I'm not doing this right or I started at the wrong time. There is no wrong time.

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Delyanne Barros

Well, I'm sold. I'm ready to start paying myself. I want to start investing. But also, what is the goal of all this? Why am I continuing to invest, you know, for the next 20 to 30 years? When do I know when I'm done?

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That's one of the things you want to start with. What is my end goal? You know, I have a very specific number in my brain for when I see that reach in my portfolio. I mean, I'm like, OK, no more work.

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Delyanne Barros

I like that no more work.

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Time is a construct right. And if you're planning like, Oh, I want to retire in 30 years, in 20 years, you want to do so comfortably because it's going to come like that, right? It is really just going to happen. So really staying the course, you know, investing consistently that is going to give you the life that you want in those 20, 30 years. That is going to come a lot faster than we think. No one's coming to save us. We got to save ourselves.

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Delyanne Barros

Now for this episode's money gems. We know we cover a lot in every episode, so we want to highlight the best tips so you can take action. Money Gem One. Before you start investing, set aside some money for an emergency fund so that your life expenses are covered and you're not having to sell investments when you weren't planning to. Money Gem Two. You don't have to be debt free to start investing. Becoming debt free takes time, and so does investing, you should tackle both of these goals now, since time is your most valuable asset money. Money Gem Three. Set it and forget it and go live your life. Stick to your investment plan and don't let the news distract you. Don't use your investments as a short term expense account. You're investing for future you, and future you deserves an incredible life too. That's all for today, but certainly not all I have to say about investing. Like I said, I could spend all day talking about this. It's a huge topic with a massive impact on your life. But don't let that scare you. You don't need to know everything there is to know about it before you get started. We'll be back next Monday to talk to an ethical investor about how you can put your money towards causes you care about because investing and your concerns about climate change don't have to be mutually exclusive.

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Kara Perez

When crisis does come to my door, as it does come to all of our doors, I want to be prepared for that. We live under capitalism. That means the more money and financial stability I have, the better prepared I am for myself and the better prepared I am to help others.

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Delyanne Barros

We'll also be back in your feed next Monday and every Monday, make sure to follow us so you don't miss it. And if you like what you heard, please recommend the podcast to your friends and family, then give us a rating and a review. It's really helpful, especially since we're just starting out. Diversifying is a production of CNN Audio, Megan Marcus is our executive producer. And Haley Thomas is our senior producer. Our producers are Alex Stern and Kinsey Clarke. Our Associate producer is Charis Satchell, and our production assistant is Eden Getachew. Eduardo Ocampo is our intern artwork designed by Brett Ferdock. Mixing and sound designed by Francisco Monroy. Original Music by Andrew Eapen. Our technical director is Dan Dzula, with support from Chip Grabow, Steve Kiehl, Anissa Wells, Abbie Fentress Swanson, Tameeka Ballance-Kolasn, Ashley Lusk, Lindsey Abrams, Rafeena Ahmad, Lisa Namerow and Courtney Coupe. I'm Delyanne Barros. Thanks for listening.

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