Tulett, Matthews & Associates

A Simple, Effective & Stress-Free Way to Invest in the Stock Market

Keith Matthews: Welcome to the Empowered Investor. My name is Keith, and we have a wonderful guest today, Nicholas Berube. Nicholas is an award-winning financial writer and reporter with La Presse, one of Canada's largest news organizations. He writes a weekly column entitled Money and Happiness.

He lived in Los Angeles, California for seven years as the paper's first Western correspondent. Welcome to has received a National Newspaper Award and was a finalist for the Mitchener Awards, one of the highest honors in Canadian journalism. Initially published in French, De Zéro à Millionnaire, from Zero to Millionnaire, was an instant bestseller in Canada.

Nicolas is quickly becoming one of Canada's leading journalist experts for his understanding of using index investing to help achieve your long-term investment goals. As a curious journalist, he's researched and explored many of the nuances behind this approach. We today have six complimentary copies of his new English book entitled From Zero to Millionaire.

For any of our listeners, simply, you must live in Canada, email us at keith@tma-invest.com. Request your copy and we'll gladly send it out right away. Nicholas is a wonderful person and we're so fortunate to have him as our guest on today's show. We hope that you enjoy today's discussion with Nicholas Berube.

Welcome to The Empowered Investor

Nicolas Bérubé: Thank you for having me, Keith.

Keith: Listen, we're really looking forward to today's show. You've got some outstanding books in the market in many different languages. But today we're talking about the English book, From Zero to Millionaire. So again, thanks for coming on the show.

Nicolas: Thanks, I appreciate it.

Keith: Before we get into investing and sort of the core of some of your topics, why don't you give us a bit of a background, Nicolas, in terms of from journalist to writer to just a general background.

Nicolas: I'm a reporter for La Presse, which is one of the main daily papers in Montreal. I've been working with them for over 20 years now.

I was, for seven years, the U.S. correspondent for them. I was based out of Los Angeles, and I was there during the financial crisis of 2008. This made a big impression on me. I really saw it around me. I saw people were losing their jobs. People were losing their house. And this is really when I became interested in finance, when I became interested in how you invest money?

What do you do with the extra money you have at the end of the month? So that's started a quest, if you will, and I read many, many books. I had many conversations with authors and investors, and I realized that there was a big gap between what people thought investing was, what their instinct told them to do, and what the science and what the studies told us how we should invest our money.

I was trying to bridge this big gap with my two books about money. And I also have a weekly column every Sunday in La Presse, which is called *Money and Happiness*. It's a column about investing in life and money. So that's how I became interested in all this stuff.

Keith: Well, you were in the United States at one of the most fascinating times in the last 30 or 40 years because it was tough, and Canadians didn't experience that same level of difficulty.

I recall American home prices were being crushed, equity was being crushed, unemployment was high, and it was very, very difficult. For you to be in that environment, I think would be very telling.

Nicolas: Oh yeah, and if you remember at the end of all this crash and correction and great financial crisis, people didn't want to invest in the U.S. People around me, I was telling them, oh, I'm investing and I'm buying U.S. equity funds and people were looking at me like I was crazy. I mean, the U.S., the good days were over in people's mind. And not only Canadians, people in the U.S. too, they were not super, enthusiastic about the future, but we forget that because we have over a decade of good returns.

But if you go back to the mentality of the people in 2010, let's say people were not thrilled and there was not a lot of hope, and expectations were super low.

Keith: Tell me about it. We ran global portfolios and when we would meet a new client, they'd go, why are you investing in the United States? And again, this is after a 10-year lost decade, so a Canadian investor investing into the U.S. after that 2000 to 2010 had horrible returns. And all you looked at was a financial market in crisis, and the gut reaction was, just leave all my money in Canada or somewhere else. That sort of piqued your interest, and you started studying investing, and the do's and don'ts. What led you to being such a champion and supporter of the approach that you're currently dealing?

What drove that fascination for you?

Nicolas: I think it was the simplicity of investing. I had this notion that to invest well you had to be able to see around corners and you had to be able to predict. The companies that will be the next Google or the next Apple or the next Facebook. And I think a lot of people, if you ask on the street, how do you invest money in the stock market?

This is what they will tell you. There's this casino mentality. At first, I was attracted to equity selection. How do you manage to find the winners? But I read a super interesting book and many of your listeners

have read it as well. I'm sure it's A Random Walk Down Wall Street by Burton Malkiel. And that book really opened my eyes to the fact that to have good returns, you don't have to predict what the market will do.

You just have to buy the whole market and sit on your investment for decades if you can. So, the simplicity and all the studies that confirm Burton Malkiel's findings after he wrote his book in the 70s for the first time. But to me, it became crystal clear that you must have low fees and that the behavior component was so important because we sometimes put too much emphasis on products.

Oh, do I buy this fund or that fund? Do I want to have my fund hedged against currency fluctuation or unhedged? And we can become obsessed about these things and they're important, but they don't mean anything if behavior is not there. So, it's just a matter of simplicity and a matter of what the data told me to do, basically.

Keith: I'm listening to you speak, and I think as a journalist, you're naturally curious. And so, you were really digging deep to figure out what's the solution? How do I make things better? That's what I'm picking up when I listen to you here.

Nicolas: Yes. And your mindset is important too. For some reason, investing attracts a lot of doom and gloom type of people, sometimes for a reason. And there's all this macro stuff. People want to see around corners. They want to see what's coming. Is the U.S. dollar doom? Is the Fed pulling all the equities up? Sometimes people are data attracted by this topic. But very quickly, I just realized that this was noise.

People don't know anything. Just flip a coin and you'll have a better chance of being right. Then listening to what the macro analysis tells us to do. So that became super clear. And that led to me investing in a way that. Many years later I'm happy to have invested my money in that way, even though it's not a very, very long time in the big scale of things, but I don't regret it at all.

Keith: Well, let's jump into that then let's talk about the investment philosophy. And for our clients, we've been following this process for many, many years. It's amazing to see you articulate this. Tell us five or six main principles that you would subscribe to and that you believe is part of a winning investment philosophy.

Nicolas: Well, I would say, first, do like Jack Bogle told us to do and *don't look for the needle, just buy the whole haystack.* And that's super counterintuitive because when we talk about investing with our friends and neighbors and colleagues, they always want to talk about the needle, the Nvidia, the Apple, the Google of the world.

Unfortunately, this is all rear-view mirrors. This is not the windshield. So, we don't know in the future who these companies will be. So, if you buy the whole haystack, you don't have to worry about who the

next Nvidia will be. You have it in your portfolio already, and it will gain pro eminence in your portfolio as it gains pro eminence in the US stock market or the Canadian stock market.

Eliminate the guesswork, just buy the whole thing. And I think one of the main points and focus of my writing the paper in my book is that an average return in terms of getting the average of the market, it doesn't produce an average result. And that's very difficult for people to understand because if you take a class, you don't want to be the average student and get a 75 or something.

You want to be in the 90s. You want to be at the front of the class. And if you run a marathon, if you do anything in life, you want to succeed. What's hard to understand is that if you're able to be average for one year, two years, five years, ten years, twenty years, the results. They're not average, the word average doesn't apply anymore.

You're in the top 10 or 5 percent of investors in the world, just by being average every year. And that's because of compounding. So being average over the long run, you're going to be people who are attracted by the newest shiny thing or attracted by. This doom scenario where they will sell their stocks because they think the market is too high and all these little behavioral works that we humans have If you're able to bypass that and just have average results over decades, your results are going to be super interesting. So that will be basically the main thing I'm trying to tell people. And I want to insist on the behavior, because if you don't have behavior, you don't have anything and we can talk about the S&P 500 for the next hour. We won't, but we could, because I like to say it's the Taylor Swift of the investing world.

It's so amazing and wonderful and popular. Now you've got the younger generation hooked into the show here. 15 years ago you basically couldn't give the S&P 500 away because people were like, why would I buy this index? It's just been crashing year after year, it's just representing the US and we all know the US is a basket case and the good days of the country are behind it, and it has all these problems.

But the S&P 500 did wonderfully after that. But it was very, very tempting to not buy at the beginning, but also to sell along the way because the easy money has been made. How many times have we read that headline? “The easy money has been made”. Every year you can read that in the financial media.

No, the easy money hasn't been made. It's just a judgment of one person in one day. Then that person doesn't know what the next year is going to bring. And the behavioral component, I think people tend to minimize it or not pay attention to it because it's not as sexy as talking about funds. But if you don't have behavior, you don't have a return.

You have gambling basically. I think that's hard to understand.

Keith: I agree a hundred percent. We're going to return to the behavioral side in a few minutes. But one of the things you mentioned a little while ago was the average. If you get the average and you do that consistently over long periods of time, you end up being a superior investor.

And when I heard you first say that in the French podcast that Ruben hosted and had you as a guest on, that's when I realized that Nicholas is different than a lot of the other journalists. We've been reading lots of books about investing that we subscribe to, which is keep discipline, buy the market, diversify across multiple markets, control your behavior.

But you need to be able to articulate the value sometimes and making sure that you get the average over 15 to 20 years, that if you could do that, you get a really strong return. You've articulated that very well.

Nicolas: so true. It's counterintuitive because we want to see results today. I get email from readers, let's say a year like the year 2022. You'll remember it was a down year and many, many people were expecting a recession. And I could see by the tone of the emails I was getting from readers; people were freaked out. They were like, are the markets broken? Or should I do something? Should I buy? A bond or anything that will give me a fixed rate of return instead of being the stock market, that's just falling and falling.

People want to see progress. They don't like it when for a year or two, the market is just going in reverse, and they think there's something wrong with their investments. And this is where the behavior becomes important because as I like to say, it's like a car that only goes in reverse. You want to fix it.

You want to bring into a mechanic and say, my car is broken, do something. With your car, it's a good thing to do but with your investments it's not a good thing to do because there's nothing wrong with the market that's going down. I mean, we know from history markets go up maybe two thirds of the time.

Well, that leaves a lot of room for downside. It's just part of the process of investing. And if you know it ahead of time is not as surprising or it's not as shocking, but I think a lot of people are nervous about their investments and they want to see progress. They don't like it. When they see red numbers on the screen.

Keith: I would go as far as a good advisory firm. One of their main responsibilities is to help educate and help show and help make clients aware of how markets work when markets are lower and they're correcting, that's when you have the highest expected return. That's when, if you stay put on a go forward basis, your portfolio will, and has always generated a higher return.

Nicolas: Of course, it's like Warren Buffett says. If you want to buy a car every five years or something, you're looking for car prices to go down over time. It'll make you happy. But if you're buying stocks all

the time and stock prices go down, you freak out. So that doesn't make any sense. And it's the only part of the economy that when its down, people run away from it for some reason.

It's super counterintuitive to me. That's the fascinating thing about investing. You're never done. You're always learning new things. You're always learning about people's reaction to good news and bad news. That’s why it's so interesting to me.

Keith: You're leading into my next question very nicely, Nicholas.

It's a bit unusual. It's my observation. I've been in this space for 30 years. I've read most of the journalists in Canada and the United States. There's a few that will embrace this approach and double down on it. And you've decided to do that. Whereas a lot of journalists try to hedge their bets a little bit and say, well, I'm going to write about this approach.

And then I'm going to write about another approach. And then I'm going to write about another approach. And there's always an approach to write about it. It almost fills up there. But you've decided to really focus on this way of what you believe is the best way to invest. Are you a little worried you're going to run out of things to write about?

It's not a trick question. I think I know what your answer is. Where do you think this goes?

Nicolas: Well, I don't always only write about ETFs and investing in a very, very micro way. My column is about that, but it's about savings, lifestyle choices. It's about more than just the act of investing money, but I've noticed that.

And I think if you're a journalist and you write stories, you're going to call people in the industry. People aren't in the industry; they are not all on the ETF bandwagon for a different number of reasons. And so, your stories and your production are going to reflect where the industry is at today.

It's like a picture of the industry and I'm lucky in the way that I don't have to do that. I can just run with what I think science tells us is the best way to invest and tell my readers about what the research says. I didn't wake up one morning saying, oh, now I found it. This is the holy grail, and this is the better way to invest.

Let's put it this way, because there's no way that you can invest and get good returns every year and roses everywhere. I mean, you'll still have volatility, even if you invest for the long term. I like to say that. I think it's the writer Morgan who said long term doesn't exist long term. It's a collection of short term back-to-back.

Even if you say, oh, I'm a long-term investor you must go through all the things that the market goes through every day. It's not like you have a special track for long term investors where you get to bypass

all the volatility and the fear and the uncertainty that the mortals experience. That's important because we like to look at long term return and marvel if they're like in the double digits or something, but to get those double digits returns, you need to go through a lot.

I don't think I'll run out of things to say about that.

Keith: Well, I'm happy to hear your response because I can guarantee you won't run out of things. You alluded to it, whether you're talking about specific market conditions and encouraging people to stay the course, whether you're talking about specific behavioral issues, every year presents incredible stories and incredible opportunities to reaffirm this investment approach, to reaffirm why you should continue to do it.

Because sometimes people lose faith, and they want to kind of move away sometimes and go chase the shiny object. And I think you've got an incredible opportunity to reinforce why you need to stay put and why you need to continue as is. It's kind of like, remember the movie Gladiator and Russell Crowe is in the middle of that arena and he's encouraging all his fellow gladiators, stay with me, don't run out there.

But they were all tempted to run out and those that ran out kind of lost their way and got killed immediately. But those, they stuck together, they stuck to their investment philosophy, and they ended up winning.

Nicolas: Yeah, it's a good analogy.

Keith: So I think you've got plenty of opportunity to continue with your great messages.

Let's go back in time a little bit, Nicholas. Let me put you on the spot here and ask you what your biggest investment mistake ever was.

Nicolas: My biggest investing mistake in terms of dollar amounts is that I didn't start investing in my teens or early twenties, I didn't know about investing back then.

I was just a freelancer. I was just happy to pay my rent and buy beer and other things like that. So that was basically my biggest mistake, not to start super early. But in terms of a choice that I actively made that was wrong, it was, believe it or not, shorting the market in 2010, because I was living in L.A. at the time and was seeing almost a depression that was starting around me. Businesses were for sale, houses were for sale. There was a guy on my street living in his car. It was very scary times and I saw the market bottom in I think it was March of 2009 and after that it went up, up, up, up, up, nonstop for months.

And in 2010, I was a bear because I was like, this is not sustainable. This doesn't reflect what I see around me. And so, I decided to short the S&P 500. I didn't put all my money in that trade. That's good. I

put about $10,000 in that. It was a lot of dollars for me at the time. But I lost it in a matter of weeks, and this was basically the price of my education.

I like to stay in the stock market, because instead of just turning my back to all this and saying, it's a big casino, it's not for me. This is when it gave me the spark to really read and really understand what was happening and why did the market behave as it did. And after that, I started investing in a more profitable way. So that was my big spectacular mistake that I made.

Keith: That's interesting. A lot of people who would get burnt by touching the stove or get burnt by an investment choice might have turned around and said, I'm never investing again. I'm just going to do something different.

Whereas that got you going and got you more curious to learn the better ways to invest.

Nicolas: I think I should see a psychologist that could explain to me how it produced that effect on me. Because I have a hard time explaining it myself, but I think if I had to drill down, I think it's seeing people like Warren Buffett.

Because when you listen to Warren Buffett, he's not a gambler, obviously. He's not in it for the cars and the houses and I was looking at people like Warren Buffett and I was like, how is it that they get good results and they're not short term oriented or anything like that and they're even tempered. There is an to approach the market that is appealing to people like me.

So that's what got me going, I think. And I read a book back then that made a big impression on me. Maybe some of your listeners have read it. It's called Millionaire Teacher by Andrew Hallam. He's a fellow Canadian. He was a high school teacher who became a millionaire at the ripe old age of 36, on a high school teacher's salary.

His book was eye opening. He also talks about index investing and saving a big portion of your income. But his whole demeanor and his whole outlook was very positive. And I think that appealed to me. Same thing with Warren Buffett. Every time there's a microphone in front of Warren Buffett he talks about how the US is this amazing country and opportunities are there for young people.

And I think it's refreshing. And I latched to this idea that we're not in the worst of times. We're in the best of times. Our health, we live longer than ever before. We have good entertainment. We have good travel options. This is kind of an amazing era that we're in and all this notion that good things are in our future, I think it's appealing.

It all gelled for me back then. And that was the right approach.

Keith: Well, it's great to see you able to move forward after making that type of investment mistake. A lot of times individuals when they do a market timing type of mistake or buying a specific company and speculating and losing a fair amount of that investment they just can't seem to get it and they can't go forward. And kudos to you for not only going forward, but for championing an investment approach and being so passionate about it because you are making a difference.

Here's my next question. I'm going to ask you to rank a few things here. They're all important.

- I'm just curious to see where you think they fit. I'll read them out loud and These are inputs into somebody being able to achieve long term financial and portfolio success.
- person's ability to control their lifestyle and save.
- following an index approach.
- staying clear of investment mistakes.
- managing your behaviors.

You get to now rank them. Number one is the most important down to four. And you could say they're all equal and that's fine, but I'm just curious to see what your response would be.

Nicolas: I'm tempting to go with behavior because, as I said earlier, if you don't have behavior, you don't have anything.

But also, lifestyle choices are very dear to my heart because this is where you get the dry powder to invest in the first place. People don't realize that. They think they need to be doctors to invest, or lawyers, or I don't know, any profession that, gives you an above average income. And that's very ingrained.

When I talk to younger people and teenagers, this is one of the first thing I tell them. You don't need an above average income to become an investor in a good investor. I will start by saying you need to underspend your income because I wish I was told that lesson earlier in life. Let's say if you underspend your income.

Now you have the means to start investing, maybe it's 10 a week, maybe it's 10 a day, doesn't matter, you must start somewhere. I will say that's the most important thing. And after that, I would say, probably behavior, because as we all know, many people set up a good investment portfolio, a passive portfolio.

And all that, but after a year, two years, three years, they see this shiny object, or they want to dabble, and they want to be part of something exciting and they kind of drift away from their previous ideas. That can become dangerous behavior. And after that, not make many mistakes. Well, in a perfect world, we will all become index investors at 18 until we're retired, but life doesn't happen that way.

I've yet to meet that person, but we don't have to be too hard on ourselves for making investment mistakes. I mean, even Warren Buffett. I think he bought a gas station in his twenties, and he lost, I think a third or 20 percent of his money because he made a mistake in that investment. It's not like there's this Holy Grail of doing the right thing all the time.

You'll make mistakes and as long as you recover, it's not too bad. And index investing, I think it's preferable to other types of investing. But at least if you're investing even in a high fee mutual funds, let's say at least you're doing something for your future. I think that's the mistake in the grand scheme of things.

But if you're an investor, you're already a step ahead.

Keith: I like your ranking. It shows how seasoned you are around this approach. When I was young, I would have put indexing first 30 years ago. This is why. And I think the reality of it is like you mentioned behavior. First, lifestyle, if you can't save, I often have people come in and they say, look, I got an investment problem.

And I go, you don't have an investment problem. You have a savings problem. You are not building enough savings, or they come in at 65 and they want to spend 10 percent of their portfolio. You have a spending problem. We can't even talk about investing until we clear up how to lead a reasonable life with regards to your finances.

And then the second one is like you say, is the behaviors. I've kind of moderated my view a little bit. I do think that if you're working with a good advisor who might be in a higher fee environment, higher than ours, but making sure the client's doing all the right things. That still can be a valuable experience.

I think it would be best to have, either have the right behaviors, the right advisory firm, and be using indexing. That to me is the best solution. But at the end of the day, these behaviors, these attitudes and these personal choices can sometimes be more important. Indexing can come a little bit later, I think.

You got to get the other stuff down.

Nicolas: And as you mentioned, I think when you start investing, what's hard to understand is your savings rate is way more important than your returns. But people, they tend to forget that if you have 30,000 and you're obsessing about whether the market is up or down this year, well, guess what?

If you had another 10,000, you're up 33 percent that year. The market won't give you that, so it's important to focus on the savings earlier in life, and after that, it won't matter as much because the market returns will work in your favor.

Keith: Agreed. The good news is on indexing.

A lot more people are becoming aware of it. While we don't have the same levels of indexing as perhaps investors in the United States or even Europe, Canadians are becoming more aware, and the younger generation are becoming more aware. And I think that's great. I've mentioned to you offline before, I'm going to Concordia this afternoon for a presentation.

I did the same presentation two weeks ago. I asked a class. How many here have heard of exchange traded funds? Half the hands went up. Four years ago, I did the same presentation, 10 percent of the class hands went up. That's a matter of five years now. And so, they're probably still not using them correctly, and there's probably a little bit too much speculation, but at least they're becoming aware of it.

I asked a class last week, how many of you have a Wealthsimple account? And about 30 percent of them put their hand up, which to me was remarkable. 30 percent of university students have a Wealthsimple account. There are three doors in Wealthsimple. There's one good door, which is the portfolio management door, which is using exchange traded funds and building portfolio.

And then there's two mysterious doors, which is the crypto door and the trading door. I did ask them, hopefully you're not in those two not so good doors. And a bunch of them were. Yeah. At least people are becoming more exposed to investing earlier on, which is fantastic.

Let's move on to a couple more questions here.

Nicholas, what do you say to people who say to you, well, I hear what you're saying by the haystack, but if Warren Buffett can find the needle, I can find the needle too. I'm going to spend a lot of time, or my investment advisor can find the needle. I'm going to just go down these highly concentrated portfolios.

Nicolas: I wish them good luck, but no, what I tell them is that the odds are not in your favor. Of course, there will be Warren Buffett's of this world and we can identify them after the fact. It's important to know that we will, I'll love to go back in time and invest with Warren Buffett in the sixties, but back then he was just a kid, like all the kids who were starting these kinds of firms.

It's important to put the odds in your favor and when you're listening to an investment advisor who promise you that he will grow your money faster because look at this fund. If you only were in this fund over the past five years, this fund has beaten an index strategy. Well, of course, if you have 70 funds to offer, there will be five or six that has done well recently.

It's not very complicated to understand, but the problem is we know that reversion to the mean is a strong theme in investing. And if we look at the second period, Funds that have outperformed often underperform. So that's one thing to keep in mind because it's easy to spot the winners after the fact. I like to tell people to calculate their fees that they're paying.

Paying a high fee is like trying to run a marathon with ski boots on. You might succeed, but it won't be comfortable, and it will slow you down. If you can lower the fees, you keep more of your investment returns in your pocket, and it makes a big difference. People don't realize, oh, I'm paying 2 percent when I go buy groceries or when I go buy movie tickets, I'm paying 15%.

2% is not that bad. Well, 2%, let's say inflation is 2 percent and you're paying 2%. So, you are at 4%. And let's say you're a conservative investor and your returns will be maybe 5 or 6% if you're lucky. So that leaves not a lot of room for your money to compound, maybe 1 or 2%. So, you're not earning enough to grow your money over time above the rate of inflation.

And I think more and more people are understanding this. I get a lot of emails of readers that want to calculate their fees and they want help in that regard. That's what I will tell them.

Keith: You had a story in your book, which I remember, it's the first time I had heard it about the Google founders trying to sell their company. What I find interesting about that story, and in a sec, you'll recount it, but people are way too overconfident in the way they see things. And sometimes, even if you're right in the middle of seeing something, you get surprised with the outcome. What happened with the Google founders?

Nicolas: Google founders, they are one of the 10 richest people in the world today.

And if you go back to, I think it was 1997 or around that time, it was the beginning of Google. They were still in the garage. They were about 10 employees and working on big clunky beige computers, and it was just starting. What we all have forgotten today is that they were trying to sell their company to a search engine basically that was popular at the time and they were trying to sell their company for believe it or not, $1,000,000.

Remember, they were students at the time. They were in their twenties and a million dollars was a lot of money. They kind of approached this big company and the company turned them down and they came back after through a friend and they said, okay, we're willing to accept $750,000 for Google. They were not giving away Google, they would have shares in the new company or something like that.

But still, this is the value that they put on their work. And the other company said, no, thanks, we're not interested. Of course, we all know how that turned out, but the lesson there is that we can't see around corners. We know how the story ends and that makes it super appealing to retro-engineer and to say, oh, if I could only be there at that time, I wouldn't have invested, I would have done this.

But you know how the movie ends, it's hard to imagine turning down an offer like that to buy Google for a million dollars, but it happens. And the Google founders, sometimes billionaires, we tend to put them

on a pedestal. Of course they deserve to be admired and studied and all that, but they also make mistakes.

And these guys were super close to making mistakes that would have changed their life. To me, it's just driving home the point that nobody knows the future, and nobody can predict it. If someone's telling you what the future will be like, he's lying. So don't pay attention to that. Don't invest your money according to what people tell you what the future will be like.

It's a nonstarter for me. And I think it should be a non-starter for you as well.

Keith: I agree, overconfidence in a concept can be very punishing in your investment returns. Nicholas, you recently wrote an article in La Presse, and it got a little bit of attention amongst the financial community. The article, the English translation would be, "*How I Beat 95 percent of the Pros in the Stock Market by Being 100 percent Lazy*".

Why do you think it stirred up a lot of emotions in the investment advice industry?

Nicolas: Well, I think the word lazy is a kind of a trigger because it's a very competitive industry and people like to outwork each other. And here I am writing like, oh, I get good results by being lazy. And it was tongue in cheek.

I knew what I was doing. But also, I think it was in French where there is a debate over ETFs in Quebec. It's still very new. If you go in English Canada "couch potato portfolio" has been around for decades now. People are more familiar with the idea of "being a couch potato" and getting good results.

I think it's still new in Quebec and in investing circles. People don't like to think of it this way. And I think there's this notion that when you talk about index funds and ETFs, you're telling people, hey, do it yourself, invest on your own. If I'm an advisor, this is not a message that I want to hear, but this is not what I'm saying.

Every time I write about investing, about index funds, about do-it-yourself investing, every single time I put a paragraph in there that says, "Wait a minute, if you think you can be do it yourself investors, you better make sure that you have the behavioral component 95% or 100% fixed before you invest your first dollar. Because otherwise, you'll be better off giving your money to someone who will be able to invest it for you."

And I'm super precise about this because I don't want to sell the dream. Oh, you're going to be able to compound and everything's going to be wonderful. You won't be paying this person or that person one or 2% or more. I don't want to be selling that dream. It doesn't exist. This is a fantasy world.

People are always talking about index funds. He must want to tell people to invest by themselves. And maybe a few years ago, I was more tempted to do that and to teach about do it yourself investing, I've evolved a little bit on that front. I don't think it's desirable. Maybe if you're 20 years old and you want to open a WhatsApp account.

Yeah, sure. Start and you'll be familiar with the markets, and you'll become an investor that way, but who am I to tell a 56-year-old person with $600,000. Hey, you should fire your investment advisor and just invest your money in these index funds and have a good day. This is not how the world works.

People haven't usually spent a lot of time thinking about this and reading about this, it's not by reading a book or reading a column in the newspaper. They won't become overnight investors or if they do, it's almost more dangerous because as you know, the markets will bring them fear and questions and all that.

It struck a nerve for these reasons.

Keith: Well, I like your nuanced response, Nicholas. I'd go as far as saying firms like us, and there's now dozens of firms in Canada like us and thousands of firms in the United States, they're all over. Where there's an advice service, an advisory service that charges a portfolio management fee using passive and index products, also offering financial planning, tax, estate planning, and bringing the entire experience together. I'd argue that we need more firms like this in Canada. We need more firms like this all over. We're still perhaps trapped in a little bit of the old product selling world, at least the large financial institutions are.

I think there's a real opportunity for a lot of advisors to embrace this approach. Like you say, most people need help managing emotions, staying clear of investment mistakes, and often that's the advisor's primary role. It's like the golfer who's trying to get around a golf course. If you're trying to whack and always get the best shot possible, chances are you're not going to get a lower score than the person who's trying to make sure he's taking, calculating little shots around the course.

I can see why some people get a little worked up, but the opportunity is still huge in the investment industry for advisory firms to use index products themselves with their clients.

Nicolas: I recommend these firms all the time to the readers who write me, who tell me "I pay a high fee. I don't get a lot for my money. What should I do?" The need is there for sure. Why do you think?

Keith: Canada has a lower level of index participation versus the United States or Europe. And what I mean by that is, investors in the United States could be working with RIA firms, they could be working with advisors, and there's more advisors using index products in the United States than there are in Canada.

What would your gut or your hunch say? What do you think is the reason why?

Nicolas: Well, I think in Canada, we love our banks. And what I mean by that is let's say you wake up one morning and you want to become an investor. Who are you going to go to? You're going to go to your bank because it's secure. It's safe.

We have five or six big banks. It's always been there. I see the ads on TV all the time about how I should invest and open an RRSP or a TFSA or any kind of product. They go to their bank and what will the bank tell these people? They won't put them in index funds for the most part.

There was recently a big investigation done by CBC. They sent people with hidden cameras in branches of all the biggest banks in Canada. And they were given terrible advice, in some instances even lied to. They were told that their investment fees were taken out of their investment returns instead of taking out on their whole investment. That's not the same at all.

People are misled. And I think that's why in the US it's more of an independent model. People are not as willing to go to their bank and invest with them. I think there's room for more independent minded solutions and thinking, but in Canada, we can see the slope. The chart is up into the right, but it's still lower than it is in the US, and I think we're catching up.

It takes a little bit more time, but we see now with let's say Questrade and Wealthsimple and all these guys, they're really poking the bear with their publicity and commercials that you see during hockey games, they're really talking about fees and about low fees index funds. So slowly, I think the market is moving in that direction.

Keith: One thing I've noticed Nicholas on a couple of tipping points, we were early adopters in exchange traded funds. We're using exchange traded funds from 1995, 6, 7. And we used to always say, when is the wave going to come? When are people going to wake up and go, these are amazing investment vehicles.

We thought it would come in like 2001, It didn't. I think it's only come in the last five or six years. Really come. People are aware of it. They're aware of some of the benefits. They ask more questions. I think the next thing to go is the large financial institutions are not always the friend of the investor.

And that is a tipping point. I think we're kind of slowly scratching the surface now with all these reports coming out. Because we do hear more and more individuals coming in and saying, I don't want to go to the large financial institution because I just don't want to fit into their selling program.

I don't want to be sold product. I want someone to take care of my agenda, not their agenda.

A couple of questions. I'd like to switch gears here a little bit. I'd like to hear your counterpoints to individuals when they suggest that indexing is not the right way to invest. What you often hear from some individuals, even on the professional side, is they'll say things like indexing does not produce any protection on the downside. When markets go down, you go down too. They'll say things like, well, you lose your ability to react and move around and be nimble. They'll say things like, you lose control over your investment holdings.

They'll say, I know I want to limit my exposure to these not so good industries, so I'm going to just not have them in my portfolio and I can't do that with indexing. How do you respond to that? What would you say are the counterpoints to their counterpoints?

Nicolas: The downside is important.

As the first one you mentioned, I keep hearing and reading about it. People have this notion and I'm not sure if it's misguided or if it's intentional or a bit of both, but they will say, index funds are super dangerous because they're super risky because when the market goes down 30%, you go down 30%.

It's like driving a motorbike, you're not one of those people. You don't want to be driving a motorbike, it's super dangerous. You want to be safe in your products because when the market goes down 30%, my products will only go down 11% or something.

The answer to that is basically, well, of course, if you're a hundred percent equities, of course, your portfolio is going to move around a lot, whether it's an index portfolio or it's a mutual fund portfolio, it will be volatile. Very few investors will want to see that. That's why you put bonds in your investments.

We have stocks to eat well, and we have bonds to sleep well. If you're able to build a portfolio that's balanced and that's the right fit for the investor and their risk tolerance, there is no reason an index portfolio would be more dangerous or volatile than a mutual fund portfolio.

For the others you mentioned, being able to be nimble, again, I don't think it's necessary. I think you should stay the course. Having a down year is nothing to be worried about. Maybe two down years even, it's just the nature of things. So sometimes I hear people saying, oh, with my advisor, we never had a down year in 10 years or something.

Maybe that's not optimal. Maybe you're paying too much in fees or there's always drawbacks to that. So, the first thing I would attack is the idea that a down year is something that needs to be eliminated. It's just not the case. You should have downside protection. You should not be down 30 percent if you can't stomach it for sure.

But a down year, you don't have to rush for the Tylenol pills to cure your headache like you would cure a down year. It's just the nature of the beast.

Keith: I agree and I'd go as far as we always point to data in down years, actively managed portfolios often go down as much, if not more. But to me, the biggest issue is if you look at long periods and there are corrections within these periods.

And if you look at the data on how actively managed mutual funds or actively managed managers performed, or if you look at things like how the average tactical asset allocated fund performed, these are strategies that are allowed to move around, be nimble. They're allowed to adjust on the fly.

And it sounds like that's like Nirvana. That'd be an amazing way to invest. Give my money to a professional who can see everything. But when you look at the data, what you find is all the returns, whether it's simply an actively managed strategy, or if it's tactical asset allocation, on average, the returns are pretty good.

Worse than simple buy and hold strategies that are long only the allocations. And if you look at SPIVA reports, which within our community, within this investment philosophy, we always look at SPIVA reports. You're running 10-year numbers where 95% of the managers cannot beat the index. And that's during correction periods too.

Nicolas: They're just not proving themselves to add that much value. And as you mentioned in your book, Keith, when we have a 2008 and a 2020, this is the perfect field for active investors to outperform. It's like they always say, oh, we need volatility, we need something to work with. We need interesting markets.

We'll find pockets of alpha here and there. Well, the results are in and they're not doing it. They're not outperforming in those markets. Unfortunately, a lot of dreams are sold to investors and it doesn't really work for them in the long run.

Keith: Well, listen, Nicholas, we're going to wrap up right now.

But before we wrap up, I'd like to tell you, I think that you're one of the sincerest journalists we've had on the show. You are an expert in this field. It's a field that a lot of people scratch at the surface, but they don't dig deep sometimes. And kudos to you for really looking through the nuances of this investment approach, looking at the things that really impact on the edges.

I think you're a breath of fresh air and you're writing in English, but your primary writing in French for La Presse and you've got your books that you've now converted and translated into English. What are the other languages that the book is being translated into?

Nicolas: It's available now in Korean. It's sold now in South Korea, and it will be available within a year in Chinese and Japanese as well. I'm super excited about that. And it will be launched as well in France this year for the French market as

Keith: Well, congratulations on all your success. You deserve it. You've got great writing and more importantly, great comprehension of the subject matter. And before we say goodbye, for all the listeners, we have six of Nicholas's English book, From Zero to Millionaire, to give out on a complimentary basis.

All you need to do is email me at keith@tma-invest.com, and we'll send you a complimentary version of that right away. Nicholas, again, thank you so, so much for taking time out of your day. To join us and to tell us your story and to talk about investing.

Nicolas: Thanks a lot, Keith. It's, it's been a pleasure and thanks a lot for all you do for investors, your podcast, and your writings. It's super interesting, thanks a lot.

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