BRIAN: Investing basics. On today's show we’re going to open up the curtains, tell you the ins and outs of how to do effective investing without getting ripped off and also making sure that your money's working as hard as you do.

[musical break]

BRIAN: Bo, I felt tremendous pressure on—on prepping for this—this show today.

BO: Why?

BRIAN: This topic that we’re going to be talking about, investing, and some of the things I'm going to share today, the illustrations, are the—really, they're the foundation, they're the fabric of what made me who I am, why we do this for a living.

BO: Sure.

BRIAN: I mean, we're going to share some concepts that I considered, when I heard these things 20, 25 years ago, just groundbreaking. They—they changed—they actually moved the axis of the earth for me, and I'm hoping that I do a good enough job of explaining these concepts so that, you know, all of our friends out there at TruckerTerritory.com, Progressive Commercial, they're going to watch this and go, "Are these guys really giving this much information away? I mean, is this—is this—" and then you also feel motivated and inspired to kind of change the way you look at money because here's the goal of what we’re doing today. You work. You work hard. I mean, you put lots of hours in. Wouldn't it be nice if you could create a plan of action to where 70 to 94 percent of the effort that goes into building independence, where your money works just as hard as you, that you work because you want to.

BO: Sure.

BRIAN: You drive because you want to, not because you have to but because this is fun. I still got my money over here working for me, but I'm doing this because this is my passion.

BO: And one thing that I get really excited about, Brian, is I know investing sometimes can be scary and nerve-racking because you feel like you have to go to school to get some sort of degree. So what we're going to try to do today is break it down in a very easy-to-understand, digestible manner where hopefully, it's all going to make sense.

BRIAN: Yeah, and you also, I think a lot of people are scared of investing because you're worried, "Am I going to get ripped off?" I mean, there's this huge barrier to entry on, "Am I going to get ripped off?" And I'll share in a minute a story of two households. I'll tell my childhood versus my—my in-laws and what they were doing with their money and the compare and contrast. So we'll get into all that on today's "Money Tuneup." I do first, before we jump into the meat of the topic today—I mean, I think we have to give a big thank you to our sponsors, the ones that have even made this possible, which is Progressive Commercial.

BO: Yep.

BRIAN: Here's the thing—if you guys know anything about "The Money Guy Show"—we've been doing this 12 years now.

BO: Yeah.

BRIAN: We don't do advertising. We just got a brand-new iTunes rating, and the people said, "I can't believe these guys give all this away, and there's not even advertising." We do that on purpose. We on purpose don't want to cloud up our message with advertising. However, Progressive Commercial came to us, and they said, "Guys, all we want to do with Trucker Territory is to help our drivers out." They are the leading insurer for America's truckers.

BO: That's right.

BRIAN: So they said, "What can you share, give away, and inform our—you know, our clients so they can be better at their job?" And I was so inspired by the fact that there was no strings attached, that we got to come up with the content, I said, "Let's do this."

BO: Yep. So I think it's—you know without a doubt, we need to—to—to recomme—well, at least acknowledge Progressive Commercial for their commitment to try to—to educate and help the drivers of America, you know, work hard and be the—continue to be the backbone of America.

BO: Keep on trucking, yeah.

BRIAN: So this really is—if you want to add a trucker adage...

BO: Okay.

BRIAN: This is where the rubber meets the road.

BO: Okay.

BRIAN: I want to try and kind of inspire people, because this is the part I was nervous about. This is what got me into investing. And I think before I—I set the—let me set the table with the household I grew up in, because a lot of people, you hear about investing, and you go, "Okay, this guy probably comes from money."

BO: Must be the Rockefellers or something like that, right?

BRIAN: And, Bo, you come—both of us come from pretty humble beginnings.

BO: Yeah.

BRIAN: You come from extremely humble beginnings.

BO: That's right.

BRIAN: And I mean that in a way that you—you have grandparents who helped with raising you and so forth.

BO: [overlapping] Sure.

BRIAN: So I—I want to tell you this because I want to make sure I clear your vision on what your opportunities are. If you understand how valuable, if you start investing and understanding how this all works. I grew up in a household where the only idea of investing was was—was cash, CDs...

BO: Okay.

BRIAN: And those type of things, so essentially put the money under the mattress and let it just grow through the interest that you get in the bank account or—or anything like that. Meanwhile, my father-in-law, not as great of a saver as—as I would say my parents are. I grew up in a very tight household.

BO: Right.

BRIAN: I mean, we recycled soap.

BO: [groans]

BRIAN: Bo knows the story. You recycle soap by taking the—the—the shards, the little leftovers, melting them down, and then putting them in an ice cube holder and then make new bars of soap from the shards.

BO: That's not a new bar of soap.

BRIAN: It's disgusting, but it is very cost-effective on saving money. So my f—my in-laws didn't do that, but they started investing in Fidelity mutual funds...

BO: [overlapping] Okay. Oh, yeah, yeah.

BRIAN: like the Magellan fund back when Magellan was—was, you know, kind of a—a mainstream, big success story in investing that Fidelity had, and I think he was only doing like $100 or $200 a month. My father-in-law ended up having hundreds of thousands of dollars whereas my parents, you know, struggled to get over $100,000 in assets.

BO: [overlapping] Sure.

BRIAN: And I think that's the key thing I want to share with you today, and let me transition into what I hope inspires you. Coming from humble beginnings, I can still remember sitting—and it was either my junior or senior year of high school, my economics class, and my economics teacher was your stereotypical, every high school movie you've ever seen. He was a military guy.

BO: Okay.

BRIAN: Retired from the military. Decided to come back and—and be a teacher.

BO: Okay.

BRIAN: He was an economics teacher, and he was the wrestling coach.

BO: He had to coach something.

BRIAN: He was a coach. He was a wrestling coach, and, you know, I think there's even days when they had wrestling matches, he might even had the rustle shorts that, you know, you get close enough to an open flame, they catch on fire with the whistle and, and everything else. But this is what he shared with us. He said, "Guys, I want you to know you have the biggest opportunity in the world. If you can just save $100 a month, you can be a millionaire." And I can remember going, "No, $100 a month?"

BO: [overlapping] That's crazy, right? Yeah.

BRIAN: 'Cause I was—at the time, I was working at Hardee's. I was a crew leader, you know, working the drive-through, and I was like, "I could save $100 a month." And I was like, "That can't be true."

BO: Right?

BRIAN: So I started doing research and realized it is true. I mean it actually—it was better than true because I'm going to share with you data in a minute that a 20-year-old only needs to save $95 a month. So actually, my economics teacher was kind of—he was putting the thumb on the scale where I'd have...

BO: [overlapping] Yeah, yeah.

BRIAN: even more than $1 million by the time I retired, but that truly changed my life to hear that opportunity. So I want to kind of go a step further because a lot of you out there are going, "How do I have $1 million to invest?"

BO: Right.

BRIAN: "I mean, how do I build up my assets to the point where I am a millionaire?"

BO: "And by the way, I'm not a high school economics student anymore, so I'm a little bit further behind. What—what's it take for me to get to $1 million?"

BRIAN: Yeah, so—so let's go through some of these numbers, and here's the setup for—for the scenario I want to tell you about, is that we're going to assume your money can make 10 percent a year.

BO: Right.

BRIAN: Now, you're—you're probably going, "Well, where did that number come from? How do you come up with 10 percent a year?" If you look at the performance, the annual performance of the S&P 500 from 1928 through, really, the end of 2016, it comes right at 10 percent.

BO: Perfect.

BRIAN: That's the historical—now realize, returns never come in perfect little 10 percent increments.

BO: Right.

BRIAN: You know, one year, you might make 14 percent. Another year, you might only make three percent. Another year, you might lose two percent, I mean, but if you annualize it all out mathematically, it works out to be about 10 percent a year. So we're going to use that as the baseline of what your growth rate is. And we're going to say a person who's 20 years old, if they start saving $95 a month until they're 65...

BO: Okay.

BRIAN: they will have $1 million.

BO: Okay.

BRIAN: A 30-year-old—because I know some of you out there are like, "Guys, I'm not 20 anymore. How about me?" So a 30-year-old is $264 a month. A 40-year-old a $754 a month. A 50-year-old is $2413 a month.

BO: Wow, those numbers are getting big.

BRIAN: You notice the numbers get bigger. I mean, that is—that's why time is your friend. That's the value and the benefit of compounding interest. But I want to—I want to bring this and reverse engineer this a little bit too, because here's the thing that I think is so inspirational. What I want you—when I—remember, the beginning I said, "What if you could have something that did 70 to 94 percent of your job?" That was not—I didn't come up with those numbers arbitrarily.

BO: [overlapping] I was—I was wondering where 94 percent—that—that seems kinda crazy.

BRIAN: [overlapping] Yeah, so—so let—let me—let me reverse-engineer this. So if you've got—let's—let's first talk about a 50-year-old. Remember, we brought up a 50-year-old has to save $2413 a month if they want to have $1 million...

BO: [overlapping] $1 million.

BRIAN: by the time they're 65. So a person who we said saves—this is just straight-up math. If you do $2413 a month times 180 months—if you're wondering where I came up with 180, that is 15 years.

BO: [overlapping] 15 years, yeah.

BRIAN: So if you total those—if you multiply those two numbers together, it's $434,000 is what you would've invested.

BO: [overlapping] Okay.

BRIAN: Did you notice I said $434,000?

BO: [overlapping] Hold on.

BO: But you said you'd be a millionaire.

BRIAN: You'd be a millionaire. So that means that 500 and close to $66,000 is made by this magical thing called investing. The money was made through dividends, through appreciation.

BO: Sure.

BRIAN: It really is—did you hear that? So 56 percent of your money is not what you actually put into the investment. It is actually the investment working for you, working harder for you than you're doing for yourself.

BO: [overlapping] That's awesome. Sure.

BRIAN: So let's take—that's a—that's a 50-year-old. If we drop down to a 40-year-old, a 40-year-old, remember, has to save $754 a month. If you do that by 300 months, that's a total investment of $226,000 and 200. That is—that means—if we're getting to $1 million, that means that 77.4 percent of the money to be a millionaire is coming from your investment earnings and growth.

BO: [overlapping] Is earnings. Is growth. That's awesome.

BRIAN: A 30-year-old, remember, $264 a month. Do that by 420 months, that's a $110,880 invested, or 88.9 percent of your money is coming from growth, and here's where that 94 percent number's coming from. Remember that 20-year-old? The 20-year-old—and by the way, some of you guys are thinking, well, I'm not 20." But you got kids.

BO: Yeah.

BRIAN: You got grandkids. This concept is earth-shattering, can change not only your life but your family members', too. A $95-a-month investment for 540 months is a total investment—get this—remember, it turns into $1 million—$51,000 and 300.

BO: Unbelievable.

BRIAN: So that means 94.9 percent of your growth of your—of your million dollars is coming from the investments just working for you.

BO: So what you're saying is I can take my money that I'm earning today, and I can put that money to work for me, and the longer of time that I have, the more that money can make. So if I just start today—today is the right day to start saving for the future.

BRIAN: To get your army of dollar bills working for you. I mean, that really is the thing. So that is why—what we're going to be talking about today because Progressive Commercial has put all this together—so we're going to be talking about—now that you've gotten inspired on how important and how valuable it is to have your money working hard, how do you do it?

BO: Okay.

BRIAN: I mean, 'cause a lot of you are probably nervous now—"Okay, that sounds good, but what do I need to do to get to 10 percent?" Guys, it has gotten so much easier. It's so much cheaper. It's so much easier to be an investor.

BO: [overlapping] Sure. So we're gonna—we're gonna kind of open up the curtains, get under the hood, and show you how to do this. So before we kind of open up how to get in this, the—the—the insider's guide to—to doing this without getting ripped off, I first need to lay some ground rules, because I don't want you to get too excited and not cover the basics of how to protect yourself. The first thing on the ground rules is, is realize investing is a long-term endeavor. When I say that, I—I want you to understand anything that you put into a financial investment, you need a plan to walk away from for at least 5 to 7 years.

BO: So you're telling me if I need put some new tires on the truck in the next six months—

BRIAN: Or if you have a down payment on another tractor coming up.

BO: I don't go invest that money to try to—to try to pay for that, right?

BRIAN: No, for sure not. And what's funny is doing the podcast now for over a decade, I've had people write me about thinking about getting engaged, thinking about a house down payment, and I'd ask them, well, when you gonna do these activities? And they'd be like, oh, in the next 18 to 24 months. I'm like, you don't need to be investing. That money needs to be in cash because it's going to be—it needs to be, it needs to be liquid.

BO: Sure.

BRIAN: And the reason—here's why that's the case, guys. You don't want to invest your money, need it in 18 to 24 months, and then the market has some short-term issues.

BO: Sure.

BRIAN: What if—what if this was 2007? You know you needed the money next year, and goodness gracious, the market got beat up.

BO: [overlapping] Yeah.

BRIAN: Because the stock market does go through approximately two recessions or two downturns every decade. You don't know—and nobody has the crystal ball to tell you when that is. So that's why we don't put anything in the financial markets unless you have 5 to 7 years to let it go through the business cycle...

BO: [overlapping] Sure.

BRIAN: and the process so you don't get caught in a bad situation.

BO: All right, rule number one: think long-term, alright?

BRIAN: The next one: be prepared—and you'll notice a trend here. Be prepared for emergencies. On previous episodes of "The Money Tuneup" with TruckerTerritory.com, we've talked about the importance of having at least 3 to 6 months of cash.

BO: Sid talked about the clunk.

BRIAN: The clunk that could happen. I mean, there's so many things that—that could go bad. You need to have that money in a completely different basket or pot to where you're protected from what could go wrong in the short term. It's back to that thing—don't put anything in that you don't need for 5 to 7 years for the long-term thinking. So keep your emergencies in a separate pot and be prepared for those emergencies by having that 3 to 6 months of reserves.

BO: All right.

BRIAN: The next one: understand the power of automating the process. Why would you need to automate the process? The reason is—is unfortunately, us humans, we're creatures—we're animals, we are impacted by emotions.

BO: Right.

BRIAN: There's fear. There's greed. There's all kind of bad things that happen because we're human.

BO: That's right.

BRIAN: It's just one of those things. If I could tell you probably the biggest mistake besides just not understanding investing and getting the ball rolling on saving for the future, the next thing after just getting the process started of investing is not letting your emotions...

BO: Yeah.

BRIAN: rule your decision-making.

BO: Or how about as—as humans, sometimes we're lazy, right?

BRIAN: Yeah.

BO: Some people right now, “Oh, I'm going to start investing. I'll do that next month, or I'll do that next month.” Sometimes if we don't put together an automatic process, we just never actually do anything at all, right?

BRIAN: It just sits out there. It's a goal. It's a dream. That's what I say. The difference between a dream and an action plan is the—the dream is something that happens that wakes you up in the night, and you smile and you go, "That would be nice."

BO: Yeah.

BRIAN: An action—a vision plan is when you actually wake up, write it down, and then do the paperwork to make something happen. So understand the power of automating the process will overcome the emotions and also, ties it into exactly what Bo just said. Create a dollar cost averaging plan. Bo, explain what dollar cost averaging is.

BO: Yeah, so essentially, what we love to see people do is instead of thinking about, okay, okay, I've got, you know, $200 that I'll go invest today, let's think about, well, every month, I have a little bit of extra money left over. So why don't I set up something where I'm investing every single month on an automatic basis, $100 a month going in to an investment account automatically, automatically, automatically. Which is, like we said, if you do that when you're 20, and you start at $95, you'll be a millionaire by the time you're 65.

BRIAN: And what—what's also great about if you set up an automatic plan, especially a dollar cost averaging that's going in monthly, quarterly, you're going to find this weird side effect that occurs. I know it happens to me. Even though I have all this other money out here working for me, on the day before my money gets invested in the marketplace—and in some weird, sick way, I'm rooting for the market to go down because—

BO: So you can buy a little bit cheaper.

BRIAN: When—when the market goes down when you have a dollar cost averaging, you're getting more shares because the investment's getting cheaper. So this type of plan shelters you, protects you from—if the—if the market's going up, that's okay because you got money working. You've got a plan of action. If the market goes down, that's okay because you’ve got a plan of action where you're buying every month and you're getting more shares every month that the market goes down.

BO: Sure.

BRIAN: So it really insulates you from a lot of the bad things that can happen from you outsmarting yourself.

BO: Yeah.

BRIAN: So now that we've given you the ground rules, let's get to the how-to.

BO: Okay.

BRIAN: So here's the how-to first. I think we need to—to give you some definitions. So a lot of you guys are going, "Investing? Well, there's gotta be different versions of investing." Because, you know, 60-year-old does not invest like a 20-year-old does.

BO: Sure.

BRIAN: So they're using different types of investments. So, Bo, go over—or let's—let's talk about the basics.

BO: So you mentioned a second ago—you know, there's CDs, right? That's the type of investment to deal with cash. Well, when you talk about investing in, like, the stock market or a portfolio, there are some different types of investments you need to know about. The first that most—almost everyone has heard of is a stock. And so what is a stock? All that means is when you buy a stock, you're buying a portion of a company. So if you go out and you buy one share of Apple stock, congratulations, you're now one of the owners in the company Apple, which is pretty awesome.

BRIAN: Yeah, or Walmart, Coca-Cola.

BO: That's exactly right.

BRIAN: I mean, it's—they're all the same. You now own a portion of that company when you buy a share of it.

BO: So maybe you're someone who's a little bit older, and you say, "Well, I've heard I'm not supposed to invest in stocks. I need to be investing in bonds. What does that mean?" Well, all a bond is, is money that you let someone else borrow, and usually it's a company. So, say you say like Home Depot or Apple or one of those companies; instead of going and being an owner, you say, "Okay, I'm going to let you borrow $10,000 from me, but here's what you’ve got to do. Every year, I want you to pay me some interest on that loan that I gave you, and at the end of the loan, I want you to give me my $10,000 back." It's a more conservative way to invest, and it doesn't have the same volatility and ups and downs as it is being a stock investor.

BRIAN: Yeah, and—and it's also important—the difference between bonds and stocks, bonds, as Bo said, is going to pay you an interest for—because as you lent—you basically let them borrow money from you. Stocks, you're investing in the actual company. If something goes horribly wrong with the company, the bond holder gets paid before the stockholder does.

BO: Sure.

BRIAN: Because you get—you're essentially further up in line because you have now an obligation that has not been repaid. Stockholders are taking more risk because you just own the company so if it goes kaput, oh, no.

BO: Yeah.

BRIAN: You lose your money whereas a bondholder, if it goes kaput, you might be able to liquidate the assets. You still might get paid something. So bonds are higher up on the safety scale not only because they're just more conservative but also because they—they get paid faster if something really bad does happen.

BO: [overlapping] Yep. And there's also real estate investing, right? And most of us are real estate investors even though we don't mean to. We go and buy a house, and voila, we own some real estate. I think that that's a slightly different, you know, thing. There are people out there that go out and buy rental properties and that sort of thing. But those are kind of three different sort of types or broad categories we'll talk about, stocks, bonds, and real estate investing, but there are some limitations that exist with all of those, right?

BRIAN: And—and before we move on to those limi—I do want to mention real estate investing—there's a difference between your personal residence and going out there and buying, like Bo said, a rental property or a—a REIT which is, you know, like a pooled group of real estate investments. And the fact that your—your personal holding, your house, if you don't plan on selling it at retirement, it probably is going to be a use asset. So you don't want to include that...

BO: [overlapping] Sure.

BRIAN: in your calculation. But definitely real estate, bonds, stocks, these are your basics. So a lot of you are going, "Okay, well, that's good. I now know what a stock is. I know what a bond is. I know what real estate is, but—"

BO: What I do with that now?

BRIAN: [sneezes] How do I—how do I implement this? How do I get into this? And here's the thing—going out there and trying to pick out the next Apple stock, the next Walmart, the next, you know, Coca-Cola back when Coca-Cola was, you know, booming...

BO: Sure.

BRIAN: that's a hard task. So there are limitations to you as the average investor trying to outsmart Wall Street or anybody else, because it's hard to diversify. Unless you have hundreds and hundreds of thousands of dollars, your one investment in Coke or one investment in a Home Depot bond is—is limited. There's only so much—

BO: [overlapping] Yeah. It might be good, might be bad.

BRIAN: It might be good, but if it goes bad, it's going to go really bad because this is the only investment you have. So—and then there's trading costs, and then even if you buy a good stock at a good time, when do you sell it? I mean, these are the concerns you have if I was a person who's trying to figure out how do I build financial independence when I've never been an investor? I don't know how to do it because there's all these barriers that can overwhelm you, stress you out.

BO: And remember, you spend a lot of your time as a truck driver on the road. You don't have time to go be researching companies and knowing which companies are the good ones and which are the bad ones. It's hard to be able to devote that level of time and attention in there. So there's better solutions out there.

BRIAN: Here's—let's give you the—the kind of the walk-through of some of the options you have. Mutual funds.

BO: Oh, yeah.

BRIAN: Mu—mutual funds are—th—this is cool. If you think about it in terms of what is a mutual fund, it's basically a group of people get together, pool their money together and then go and buy—remember how I said you would need hundreds and hundreds of thousands of dollars to go buy enough stocks or enough bonds to where you feel diversified or feel like you spread your money out right? That's exactly what a mutual fund does—it is essentially an organized structure where your money gets pooled, and then it goes out and buys the specialized thing that—you know, the type of investment. But within mutual funds, I feel like we need to give you some vocabulary within that to set the table on it, and don't worry. Here's the thing—I want you to be educated. I'm going to give you all these definitions, but a lot of you, especially since you're driving down the road or whatever, I don't want you to feel overwhelmed because at the end of the show today, we're going to give you some implementation steps that's going to make all this easier. I mean, you're going to have a plan of action. I just want you to have an understanding because an educated consumer is less likely to get ripped off.

BO: Yep.

BRIAN: And you'll also feel much more comfortable with making the decision. So I feel like we need to lay this foundation for you, but I don't want you to get overwhelmed, feel like you need to be pulling over and taking notes because we're going to cover this for you...

BO: Yep.

BRIAN: and then bring it—bring it home for you so you have a plan of action. So within mutual funds, which remember, are just a pool of different investments. They can buy in stocks, they can buy bonds, they can buy real estate, they can buy in all kind of different things, but you need to understand that there's a difference between what's called a load or commission mutual fund...

BO: [overlapping] Okay.

BRIAN: or no-load, no-commission mutual fund. Bo, when we talk about this, what—what does it mean when we talk about load versus no load?

BO: Yeah, if—if you're buying a loaded mutual fund, that means that whoever's selling you that fund is getting paid—get—getting paid a commission for selling you that fund. So naturally, it's going to be a little bit more expensive. A no-load fund is exactly what it sounds like. When you go to buy that fund, there's no person out there that's getting paid for you buying that fund. So no-loads by their nature are less expensive than loaded mutual funds.

BRIAN: [overlapping] It means you're buying directly from the investment company. There's no middleman selling you the product.

BO: Yeah.

BRIAN: So that's the difference between load—meaning commissioned—versus no-load is that one you're buying direct, one you're actually going through somebody who's actually selling the product or making the product available to you. The next difference I wanna make sure I explain is index fund versus an active manager.

BO: Okay.

BRIAN: Bo, what—what—explain that.

BO: Yeah so, an index fund essentially is a set-it-and-forget-it type solution. So say that you like companies like Google and Home Depot and Apple, and say what you want to do is, you know, I don't know which one of those companies I like the most, so I just want to go buy the 500 biggest companies in the United States of America, right? All right, I'll just go out and buy an S&P 500 mutual fund, and all it will do is track the index of those 500 companies. Now on the other side, sometimes there are folks out there who say, "You know what? Rather than just buying all 500, I think that this company and this company and this company and this company are going to do better, and so they will actually actively choose which companies they think are going to be the best performers. Depending on how you feel about that and where your philosophy is will depend which one you want to buy. What we really like about index funds are they tend to be a lot less expensive than actively managed mutual funds.

BRIAN: They're really cheap. I mean, I'll give you some perspective. Because realize all investments that we're talking about, whether we're talking about no-loads, loads, index funds versus management, they all have what's called internal expenses. This is the fees for the trading. This is the fees so they can send out your—you know, all the paperwork you're going to be getting in the mail, and this is the fees that they're charging to pay the manager or the person that's in charge of putting together the investment.

BO: [overlapping] Yep.

BRIAN: It has nothing to do with the person that's selling it. It's just the internal expenses of keeping the lights on for the investment company. You're going to notice index funds—and I have the—the actual numbers here of what the averages are right now. An index fund right now, the average at the end of 2016 was .09 percent.

BO: Okay.

BRIAN: So that means for every $10,000 you invest, that's like $9. That's pretty cheap.

BO: [overlapping] That's pretty incredible, yeah.

BRIAN: I mean, so—whereas an active fund is .82 percent.

BO: So .09 versus .82. So it's almost 10 times more expensive.

BRIAN: [overlapping] Yeah, so it is—it is 10 time—so if you think about it, instead of you paying $9 for every 10,000, you might be paying $82.

BO: Yeah.

BRIAN: You know, so you can see—and obvi—the more money that you save in fees, the more money you get to keep in your back pocket working for you.

BO: [overlapping] That's right.

BRIAN: That army of dollar bills is working. So it's important to understand the difference between the—the fee structure because those fees will come into play. The—so make sure—you want super low-costs, but you also wanna make sure you're getting the right investments, and when I talk about index investing, I'm talking about the S&P 500.

BO: Yep.

BRIAN: Which—Bo has already described that. That's the 500 biggest companies in the United States that are in the S&P 500. No individual person is necessarily picking those funds because they think they're great investments. They're picking those funds because they are the largest investment companies in the United States.

BO: Yep.

BRIAN: There is other index funds out there for international, meaning if you want to buy outside the United States. There's index funds for different, you know, bonds. I mean, you can do—there's all kind—you could do government bonds. You could do corporate bonds. You can buy index funds, and they're all going to be very cost-effective. And that leads me to my next thing, is understanding—and this is a great thing that I'm going to talk about in the—when I get to the implementation notes. A new thing that's come around—really around 2000—mid-2000s, late-2000s—target investment funds. What I like about target retirement funds—and I'll explain the benefits of them during the implementation phase, but they're really your all-in-one investment. You just have to know a few variables about yourself, and then these things are going to do the work for you. I do want to give you some—'cause like I said, I don't want to give you the roadmap without telling you some—some—some benefit of where you need to move forward. So I figured instead of giving—we don't like to do endorsements. But I do like to give you the biggest providers of some of these types of products, and when I say target retirement funds, we do use some of these products, but we're not endorsed by any of them—like Vanguard. Vanguard is a very low-cost provider. You have—they have their target retirement funds. You have Fidelity—which has their Fidelity Freedom Funds. You have Charles Schwab because they have their target funds as well. So these are things that you can start the process, and we'll get to that more to the implementation, but at least it's important that you understand target retirement funds are really kind of your all-in-one option. But besides mutual funds, there's another tool that has come around in the last decade called exchange-traded funds. Bo, give them a walk-through of what an exchange-traded fund is.

BO: So an exchange-traded fund is actually almost identical to a mutual fund in the fact that it is a pool of a bunch of different investments. So you can go by, like, an S&P 500 ETF. The thing that's a little bit different about that is it's a little more efficient from a tax perspective. They tend to be a little lower cost. And rather than only being able to buy them at one price every day, you can buy them all throughout the course of the day at a number of different prices.

BRIAN: [overlapping] They trade like a stock does. And it—and like I said, ETFs are a new creation that have come around in the last decade. The internal expense ratio of an ETF according to the—the ICI research that I have is .23 percent. So very cost-effective, too, on—on how they work, and you can buy all types of things. If you want a tech-sector ETF. If you want a healthcare. If you just want an S&P 500, there are pro—there is going to be an ETF that will help you through your process of what you want.

BO: Yeah.

BRIAN: So these are all things that can be tools to help you invest. But now you're try—you're saying, "Okay, you've loaded me up with all this information"—

BO: What do I do with it?

BRIAN: "How do I implement this?"

BO: [overlapping] Yeah.

BRIAN: How do I actually take all the data—because I feel like I've got a good baseline understanding of what investing is, what type of products are out there, but how do I bring this in and internalize this and make this a plan of action for me to do something with?" Here's the cool thing. Investing has gotten so much easier for the do-it-yourselfers. So I want you to understand that if you're trying to figure out "how do I implement?" here's the easiest thing that we recommend for the average person, is that we love these target retirement funds. I wanna walk a little deeper into what a target retirement fund does. What these plans do is in the past, you had to go out there and hire a financial advisor or you had to go read a bunch of books to educate yourself because as I've already told you, the portfolio for a 60-year-old, because you're getting close to retirement, needs to be somewhat conservative. The portfolio for a 25-year-old needs to be very aggressive because you have 40 years before you retire so let's see if we can grow those assets by buying stocks. But the problem is, is that 25-year-old and that 60-year-old are both headed towards retirement, and we know from the time you're 25 to 60, you're going to need to change...

BO: Right.

BRIAN: how you invest, meaning that you're going to be aggressive when you're young, but you need to be more conservative as you get older and closer to retirement because you do want the money to be there. And you don't want a downturn, depression, recession...

BO: [overlapping] Yeah.

BRIAN: whatever's coming down the pipe to impact your success. But how do you do that if you're not a professional investor? Well, these products came around in the last decade to where all you have to do is you choose the year you think you want to retire. If you think you're retiring at 55, you go choose the year you think you're going to be 50—you will be 55.

BO: [overlapping] You will be 55, yeah. Not think. You know we—you might back your years down because you want to be younger, but you—you do the year that you're going to be 55 or if 60 is your year, when you turn 60 or 65. You choose the year, and then you choose the company—like I said, we mentioned Vanguard, Fidelity, Charles Schwab, but there's a bunch of others that offer these type of products, but they're all pretty universal—is that you'll notice when you invest in these target retirement funds, it's going to have the name of the fund, whatever superlative they put on it—

BO: Right.

BRIAN: You know, target retirement, you know, as I mentioned, Fidelity has Fidelity Freedom—they all have their own little brand that they've—but you'll notice that in common, they'll say the 2020 fund, the 2025 fund, the 2030 fund. They're usually in five-year increments. You'll choose the year that's closest to when you want to retire, and then here's what's cool about these things. That's all-in-one packaging. They are going to—it's called a glide path. As you get older, that fund starts from being aggressive when you're young till it gets more and more conservative. They're doing it automatically.

BO: [overlapping] So rather than you having to figure out how to change, it's going to change automatically for you.

BRIAN: Yeah, you don't have to know when to go to sell. You don't have to know the valuations. These things are going to help you understand the investment process. They're going to make it easy for you. It really is a one-stop shop. You don't have to worry about the asset allocation. You don't have to worry about when you buy, when you sell. It's—it's going to handle all these, you know, research reports, all these, you know, bad news that comes out for this stock. You don't have to worry about that stuff because the target retirement fund is going to help you figure that out.

BO: Yeah.

BRIAN: Now that's for my do-it-yourselfers, and what we re—typically recommend is somebody who's, you know, starting from zero all the way up to your to 250, 300,000.

BO: Yep.

BRIAN: If you are a motivated individual, this is the type of product that—you probably want to go look into it. Now a lot of you are listening or you're driving down the road, and you're going, "That sounds great, but, man, I just know my personality. You know, when should I bring in somebody to help me from outside?" Because thi—this is—this is what we do. We are professional wealth managers. We're financial planners.

BO: [overlapping] Yeah.

BRIAN: You know, we try to be unique in the fact that we're trying to open up the hood and just give you straight-up advice, but a lot of you are probably saying, "Well, I need somebody to help hold my hand through the process." So let's talk about when do you bring in a professional to help you? This is for people—if you self-assess yourself, and you go, "This sounds great, and I know I need to save because I like the idea of doing a few hundred dollars a month, and I'll have $1 million by the time I'm 65."

BO: [overlapping] Yeah, yeah.

BRIAN: But I know myself. I will no more than a man in the moon will go do the paperwork or download this off the Internet.

BO: [overlapping] Right.

BRIAN: How do I do it? If you know that you're not going to do this stuff yourself, you might need to bring in a professional. And you can go—you know, we don't get into who you should work with.

BO: Sure.

BRIAN: But just know your personality. The other thing is when you might wanna bring in a professional is that the gravity of your financial decision—maybe you are successful. Maybe you have a team of trucks out there, and you're starting to have some success. You know, we had Linda on for the last show. She sounded like she was doing some really incredible things...

BO: [overlapping] That's right.

BRIAN: where she's figuring out if she's adding another truck team. I mean, when you start reaching success, in addition to investing in your company and your truck, you want to start building this financial independence outside of your driving.

BO: That's right.

BRIAN: And it might make sense that when you get to a level of assets—remember I said that 250 to 300,000—where you want to—you start worrying, "Am I making the right decisions?" because the level of assets is so high that you don't want to screw it up. That might make sense to having somebody look over your shoulder. The other thing is—is you guys are all small-business owners. A lot of you guys are—you know, you are an owner/operator, so you're driving your trucks. You're an entrepreneur. You have some savings opportunities, as we talked about in the last show with—with SEP IRAs...

BO: [overlapping] That's right.

BRIAN: some other self-retirement options that will really lower your taxes a lot. Your situation might just might get really complicated, and if your situation's obligated because you're trying to figure out how you integrate the retirement savings, the tax savings, plus make it all work with the investments, maybe you do need some help because it's gotten complicated.

BO: And then maybe sometimes there just aren't enough hours in the day...

BRIAN: Exactly.

BO: between community stuff you're involved in, being on the road all the time, doing your fancy stuff. You get pulled in a thousand different directions. It's really easy for sometimes your finances or your investment life to kind of get put on the back burner. So if you find yourself in that situation, you might be a prime candidate that needs some help.

BRIAN: So I feel like we've opened up the can of—of—of knowledge of how investing works, and here's what I want to challenge you guys to do, because Progressive

Commercial has tried to make this very open-ended where you guys feel like there's a sense of community by helping support TruckerTerritory.com. You can go out there, and you can leave comments, you can leave feedback. You can also go connect on Facebook.

BO: [overlapping] Facebook, yeah.

BRIAN: But definitely go check us all out at TruckerTerritory. We have other shows. By the way, this has been a journey. Here's the cool thing. If you're trying to figure out do I need to—how do I fine-tune the bookkeeping? How do I make sure that I'm not doing shoebox accounting? If you're trying to figure out how to save for retirement, we have created resources for you through TruckerTerritory.com. I think it's awesome that Progressive Commercial has invested in their customer base where there truly—tr—truly trying to go above and beyond and open up the knowledge source so that you guys can be better and more effective, and remember, the ultimate goal is that you're driving because you're passionate about it. You're driving because this is your decision to do it, your choice and not because you need the money.

BO: [overlapping] Just need the paycheck, yeah.

BRIAN: So we want you to have that opportunity to build financial independence so at the end of the day when you decide that you are done driving and you want your money to work for you instead of working with your hands, your back, your brain and driving, that there's actually something there.

BO: Yeah.

BRIAN: So I get inspired about this. I hope that whole process, that thought process of what it takes to become a millionaire will hit you like it did when it hit me when I was 17 years old because there's not a bad age—as you heard, there's not a bad age to start investing. The—you know, you should've started yesterday, but the next best day to start is right now or tomorrow.

BO: [overlapping] That's it.

BRIAN: So make it happen. Get inspired. Go to TruckerTerritory.com. I'm your host Brian Preston. My co-host, Mr. Bo Hansen. We'll talk to you shortly.

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