

Episode 4

Thirty Minute Drill

For Saturday January 4, 2025

Episode 4 - Thirty Minute Drill

On This Week's Episode - Saturday January 4th

- Good reading over the holidays - Morgan House "The Psychology of Money."
- The 30 Minute Drill - Breaking it down into simple steps.
- Our quarterly update - using the 30 Minute Drill Approach.
- View our weekly stock example - UBER pulled at random from our portfolio.
- Key headlines in the investing news.
- Closing thoughts for next week

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Morgan Housel - The Psychology of Money

Key Themes and Insights:

1. Wealth is What You Don't See

Housel argues that wealth often appears invisible. People tend to show off their consumption—flashy cars, expensive clothes, and lavish lifestyles—but the true signs of wealth are invisible: saving investments, and assets that aren't on public display. The wealthy often don't flaunt their wealth but rather accumulate it through habits like saving and investing over long periods.

2. Compounding is Key

The power of compounding is one of the book's central themes. Housel highlights how small, consistent decisions over time can have a massive impact on financial success. He compares compounding to a snowball rolling down a hill, gaining momentum with minimal effort. The key is patience and long-term thinking.

3. Risk and Luck

Life and financial outcomes are heavily influenced by luck, timing, and risk, more than most people are willing to admit. Housel emphasizes that many financial successes are due to good fortune, while many failures are simply bad luck. Understanding the role of luck and being humble about it is crucial for maintaining financial perspective.

4. The Importance of Long-Term Thinking

Most financial advice focuses on short-term tactics, but Housel suggests that long-term thinking is the key to wealth. By being patient, staying invested, and not reacting impulsively to market fluctuations, you can ride out volatility and ultimately come out ahead.

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Morgan Housel - The Psychology of Money

Key Themes and Insights:

1. Money and Happiness

While money does correlate with happiness to a point, Housel argues that beyond a certain threshold, it has diminishing returns. People often think that more wealth will lead to more happiness, but the pursuit of money can lead to stress, anxiety, and a loss of personal well-being. Instead, finding balance and prioritizing things like time and relationships is often more important than accumulating wealth for its own sake.

2. The Role of Individual Biases

People's financial decisions are often influenced by psychological biases such as overconfidence, loss aversion, and herd mentality. Housel explains how understanding these biases can help individuals make better financial decisions, especially in volatile or uncertain times.

3. Independence Over Wealth

One of the book's final ideas is that financial independence—the ability to make choices without being dependent on a paycheck—is more valuable than traditional wealth. For Housel, the freedom to choose how to spend your time is often a more meaningful goal than accumulating material wealth.

4. Behavior Over Knowledge

The book emphasizes that successful financial management is not about having the best technical knowledge but about controlling emotions and behavior. People who can maintain calm during market downturns, avoid impulsive decisions, and resist lifestyle inflation are often the most successful in the long term.

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Express Innovation

A Breakdown

Step 1 - Gather all Financial Reporting - Investment statements, bank records, employer pension statements, loan agreements including mortgage, car or other.

Step 2 - Sort each component by Asset or Liability and if an Asset, by registered or non-registered account.

Step 3 - Input Values within EI Personal Finance model.

Step 4 - Show contribution room for all Registered accounts At the start of the fiscal year minus any contributions YTD - RRSP, TFSA or RESP. All numbers should be available from Tax records.

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Express Innovation

A Breakdown

Step 6 - Review all data and highlight areas for improvement inside the calendar Year.

For Example: TFSA Contribution Room - \$50,000 room available as of January 4 2025. Set aside \$200 per pay period to contribute 10% of room available in 2025

Step 7 - Calculate % growth/decline YoY and QoQ of the following: 1. Total Net worth; 2. Top Three Investment Portfolios; 3. Total Liability decline by % and dollars.

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Review the Master Spreadsheet

Review YTD Results in the Sample Portfolio

Discuss a Headline in the Financial News

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Review the Master Spreadsheet

2021 Jan 1				
Non Registered - TFSA, Canadian Margin, US Margin	Total Value	Cash	Invested	% Cash
Cash Accounts	\$5,000	\$5,000	\$0	0
CDN Margin	\$15,000	\$1,000	\$24,000	7%
US Margin	\$15,000	\$1,000	\$24,000	7%
TFSA	\$80,000	\$0	\$100,000	0%
Totals	\$115,000	\$7,000	\$108,000	6%
Registered - RRSP/RESP	Total Value	Cash	Invested	% Cash
RRSP+Commuted Pension \$	\$250,000	\$5,000	\$295000	2%
Totals	\$250,000	\$5,000	\$295000	2%
Grand Total All	\$365,000	\$12000	\$403000	3%
House Value	\$400,000			
Auto Values	\$20,000			
Other Assets	\$55,000			
Total of All Assets	\$840,000			
Total Liabilities	\$275,000			
Total Assets Net Liabilities	\$565,000			
Available TFSA Contribution	\$5,000			
Available RRSP Contribution	\$5,000			
Forecasted Investment Income				
USD CAD =	1.33			
Mortgage Rate	4.5%			

Key Data::

Non-Registered Accounts - YTD Returns = 32%; Profit/Tax Loss Harvesting Plans; Adding safety in fixed income 5% overall?, reducing total names for 2025.

Registered Accounts - RRSP Contribution room to Feb, 2025, adding safety in fixed income?, Reducing total names - shift out of mediocre names.

Added to Telus, BCE, TD and Started position in CNQ.

Other Assets:

- Home - Value of Home
- Autos - Value of Autos
- Other - List with values

Debt:

- Mortgage - Total amounts owing
- Line of Credit - Total amounts owing
- Auto Loans - Total amounts owing

USD/CAD - Document for Quarter

Mortgage Rates - Document for Quarter

LOC Rates - Document for Quarter

TOTAL ASSETS LESS LIABILITIES - QoQ and YoY Growth/Decline

Highlight Contributors to Growth or Decline

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January 4, 2025

Review YTD Results

Key Data::

10 Year Returns - US Margin 256%; Canadian Margin 87%; Canadian Registered: 56%

5 Year Reruns - US Margin 146%; Canadian Margin 46%; Canadian Registered 32%

US Markets driving overall portfolio growth including USD at 1.41 CAD.

Top US Names: Apple, JP Morgan and Googler

Top Canadian Names: TC Energy, Royal Bank of Canada, XAW ETF, and Couche Tard

What are we looking at:

Profit taking in Q1 to harvest some gains.

Adding fixed income as % of overall portfolio - Bull run has been great and we fully participated.

Adding to laggards with positive financials.

Other:

Alibaba Rollercoaster

Bell Canada Disaster

TD Bank Struggles

Returns and Top/ Bottom Equities	US Margin	Action	Can Margin	Action	RRSP	Action
10 Year Return	256%	Target 97%	83%	Target 97%	59%	Target 110%
5 Year Return	143%	Target 40%	53%	Target 40%	28%	Target 48%
Top Three						
1						
2						
3						
Bottom Three						
1						
2						
3						
Other Holdings						
ETF's Listed Above						
Considering						
Other Notes	Returns do net reflect dividend income; Canada market assumed to “catch up” some of gap to USA over next three years, USD to fall back once USA drops interest rates in line with EU and other G7 countries, ETF participation with Vanguard or Blackrock but looking at adding others. Portfolios structured to include Transports, Pharma, Telecom, Tech, Financials, Energy and Technology. Moving to 25% ETF to capture broader market while maintaining top names by sector where possible.					

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Express Innovation

December 28, 2024

Pick A Stock - UBER



S&P Index matches
UBER over five
Years.

Wild swings in UBER over
Five and ten years with
Significant low performance.

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Pick A Stock - UBER

Growth Analysis	GAAP Data					Growth Rates		
	2019	2020	2021	2022	2023	1-Year	3-Year	5-Year
Revenue (B)	14.1	11.1	17.5	31.9	37.3	17%	235%	231%
Gross Margin	49%	54%	46%	38%	40%	4%	-26%	-21%
Operating Income (B)	-8.6	-4.9	-3.8	-1.8	1.1	NM	NM	NM
Interest Expense (M)	559.0	458.0	483.0	565.0	633.0	12%	38%	-2%
Pre Tax Income (B)	-8.4	-6.9	-1.0	-9.4	2.3	NM	NM	77%
Net Income	-8.5B	-6.8B	-496.0M	-9.1B	1.9B	NM	NM	89%
EPS	-6.81	-3.86	-.29	-4.65	.87	NM	NM	-31%
Dividend/Share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Shares Outstanding (B)	1.2	1.8	1.9	2.0	2.1	6%	19%	37%
Market Cap (B)	37.1	89.4	79.5	48.8	128.8	164%	44%	Nil
Book Value (B)	13.95	4.59	3.63	-2.80	1.67	NM	-64%	-83%

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Pick A Stock - UBER

Ratio Analysis	Trend							
	2019	2020	2021	2022	2023	1-Year	3-Year	5-Year
Operating Margin	-61%	-44%	-22%	-6%	3%	Higher	Higher	Higher
Net Margin	-60%	-61%	-3%	-29%	5%	Higher	Higher	Lower
ROE	-69%	-51%	-4%	-84%	20%	Higher	Higher	Lower
ROA	-31%	-21%	-1%	-26%	5%	Higher	Higher	Lower
Current Ratio	2.5	1.4	1.0	1.0	1.2	Higher	Lower	Lower
Interest Coverage	-14.1	-14.2	-1.1	-1.7	4.7	Higher	Higher	Higher
Dividend Payout Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
L-T Debt/Equity	51%	75%	76%	149%	98%	Lower	Higher	Higher
Total Debt/Total Cap	34%	43%	43%	60%	49%	Lower	Higher	Higher

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Weekly Headline

A 10-point checklist for your finances as the new year begins



NANCY WOODS >

SPECIAL TO THE GLOBE AND MAIL

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