Fresh Invest_EP 6 Full Episode Transcript
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Alex Lieberman What is up, everyone? This is Alex Lieberman, cofounder and CEO of Morning Brew, and this is Fresh Invest your new favorite investing podcast sponsored by Fidelity Investments and powered by Morning Brew.

Here's what you can expect from Fresh Invest. Each week, I will dive into a massive business topic making headlines & work through the impact that topic has on my portfolio.

Fresh Invest is the jet fuel you need as a young investor. And today's topic is the great millennial migration to suburbia.

You may be like me—currently shacked up with my girlfriend and her parents in New Jersey's suburbs. Wondering when we should return to the city and find another rental. But the longer this pandemic has upended life as we know it, we're considering more and more the option of saying goodbye to the grind of city life and hello to suburban homeownership.

There might not be a perfect measurement of just how many people are fleeing cities, but it's a reality for me and my friends to consider; so it's probably top-of-mind to other Brew readers. And there's definitely a compelling argument to say goodbye to the Big Apple.

First, Suburbs offer more space, both a luxury & a necessity of socially-distant gatherings. Secondly, work from home means more work flexibility & less need to be closer to your office to cut down commute time.

And third, 30-year fixed mortgage rates are hovering around all-time lows, creating a greater sense of urgency to capitalize on cheap lending.

I know there are people out there like me who want to know what they need to think about when planning for home ownership and how shifts in the market will affect our plans.

Luckily this podcast is sponsored by our friends at Fidelity Investments, so I didn't have to spend hours figuring it all by myself.

Cue my conversation with Christin Haley, who I recently sat down with to ask all of my most pressing questions.

Let's get to it.

Alex Lieberman Christin, I am so excited for you to be joining today. I would love if we could just start with you providing a brief introduction and why you are probably the perfect person on this planet to help Alex Lieberman be a more thoughtful adult as I make big decisions in life over the coming years.

Christin Haley, Regional Vice President, Advanced Planning, Fidelity Investments Oh, boy. All right. I will certainly try. So, yes, thanks for having me, Alex. My name is Christin Haley. I'm a regional vice president with the Advanced Planning Team at Fidelity. And as part of the Advanced Planning Team, we basically plan with clients every day. We want to work with them to think through and help them establish goals, look at their overall financial situation, and work with them on ways that they can meet and achieve those goals. So I'd love to be able to do the same for you today.

Alex Sweet. So what I want to talk about is probably the most timely part of this conversation, which is with coronavirus, with the pandemic, at least my feeling has been that there's kind of been this movement from the city, which to me is New York City, to the surrounding suburbs. And a lot of my peers, people in their mid-20s to low-30s, have not only been making this move, but also beginning to think about actually buying a home.

Alex That has long been a crazy concept to me as someone who graduated from college five years ago, lived in a five-bedroom with four roommates for the last five years. But as I open up more to the idea, I would love to better understand from you, if you were in my position, how would you start thinking about when the right time is to buy a home? I would love to hear your thoughts on that.

Christin Oh, sure. Absolutely. And I've been in your position. I may be older and may be a bit wiser [Alex laughs] on this topic, but I was there myself before. So I think the first thing that people should think about is how much you would like to spend, or how much you can afford to spend, and how that impacts your overall budget. And then, like you were saying, the real estate market is extremely hot, not just in New York, but in Boston, other metro areas. And interest rates are low.

Christin So these three factors are really contributing to a lot of people feeling pressure to go out there and buy. So one thing you can do too, to be a strong buyer, is to get prequalified for a mortgage and get a sense of exactly how much a bank is willing to lend you, so that you can at least set those parameters on how much you can spend. Generally speaking, banks want to keep the monthly payment within about 28% of your monthly gross income. And then they also don't want your debt-to-income ratio to exceed 36%.

Alex Let's just play up the scenario for a second that I decide that I end up wanting to buy a home and I'm going to partition part of what I've saved up to actually put towards the down payment for the home. I have this other separate chunk of money that didn't go towards the down payment. And to be totally frank with you, [laughs] most of that money is collecting dust in a checking or savings account right now. If you were me, how would you start thinking in a more sophisticated manner about what to do with this chunk of cash, outside of just keeping it in a bank account?

Christin Sure. So you have already started thinking about your goals, right? You've got this goal of purchasing a home and then, of course, everybody wants to retire and not have to work at some point. So we can assume that you've got this retirement goal as well. And you should look at those as two separate and distinct goals. One is short term in nature. Maybe you look to buy within the next three to six months or so, and then retirement could be longer term.

Christin So when you think about investing for the short term, you don't want to really put a lot of that money in the market because you need it soon. You've got a short time horizon. The two biggest factors when it comes to investing are thinking about your risk tolerance, which is your comfort level with risk and experiencing market volatility, and then your time horizon, which is the time period in which you'll need the money. So your time horizon is short, which means you want to have that, maybe not collecting dust, but at least in a money market fund or a stable fixed income fund or some sort of a conservative allocation so that you don't see a lot of movement shorter term.

Christin When you think about the long term—your long-term goals and saving for retirement—that's where you should think about your age. The fact that you're on the younger side, you should have a high risk tolerance. Even if you have a relatively middle-of-the-road risk tolerance, your time horizon is still so long that you can afford to be more aggressive with those assets. Even if we see short-term dips in the market, like we saw earlier this year, like we've seen periodically over the last couple of weeks, your eye on the prize is really much farther out and you can withstand seeing that volatility because over time, the equity market should perform for you.

Alex Once I understand basically kind of these two vectors, one is just my overall risk tolerance, at least what I'm hearing from you, is generally as a 27-year-old professional, my risk tolerance should be potentially higher than my grandpa, who's 80 years old, in retirement in Boca Raton, Florida. The other piece of this is not just the risk tolerance, but the time horizon of decisions. Let's say that, OK, I have above-average risk tolerance and generally I'm going to be investing a fair bit of my money for the long term, not focusing on like shorter term decisions, whether it be a home or, you know, a vacation, something like that.

Alex How would you think about, if you were me, actually putting this money to work? I think one of the things that I've always tried to reconcile is as someone with a full-time job, how much should I be spending my time kind of like basically managing the investments myself versus having a person do it versus having a robot do it? And should that be like a zero or 100 decision? How do you think through that if you were me?

Christin Yeah, there's definitely a range in the investing public out there. Some are very do it yourself. They like to research their own stocks. Do all of their own trading and so on. On the other end of the spectrum are those people who either don't have the time or the energy or the interest. And so they look for help, be it from a person or a robot. So Fidelity has a couple of ways that we can help. We've got our robo advisor. It's called Fidelity Go, and it's a fully digital experience where the user logs in, completes a questionnaire, and then we have an algorithm running in the background. The algorithm will recommend a strategy for your assets based on the answers to the questionnaire. If you're also interested in the human element of having somebody help, we also have Fidelity's Personalized Planning and Advice group. So that combines the digital experience of Fidelity Go with a phone-based team of people who help clients with financial planning every day. So that's a good place for people who really want to be able to reach out to a financial wellness coach or talk to somebody. That's a good spot for them to consider.

Alex One final question that I have that I've been asking all of the folks that I've been having conversations with is, if we were to kind of play out Alex Lieberman as the postgrad who, it's, you know, 2015, just left college, starting my first role in financial services. Again, have a fair bit of knowledge around financial markets, but nothing crazy sophisticated. What would be one piece of advice you would provide to me to just get smarter and better in navigating the, you know, just ever complex financial landscape?

Christin My one piece of advice would be to stay the course and stay knowledgeable about what's going on. Because you can see, I mean, we can see 35 times a day how the market is performing on any given day, and some days it will be up, some days it will be down. But that doesn't impact your longer-term planning. So we don't want you to make any knee-jerk reactions, sell out of something just because the market happens to be down. Think about how it impacts your own personal plan, what your longer term goals are, and how that will help get you to longer-term financial success.

Alex Seems like patience and discipline is the name of the game.

Christin You've got it. In fact, some people look at market volatility and down markets as buying opportunities. So there's a whole school of thought there too.

Alex Absolutely. Well, Christin, thank you so much for your time and your insights.

Christin Thank you so much for having me, Alex.
Alex Everything about this conversation makes me feel old.

Gone are the days of Alex cramming into a five-bedroom apartment with his four friends from Michigan.

It’s time to put my big boy pants on. And this conversation with Christin is just what I needed to do that.

I feel like this episode could have just as easily been called Adulting 101.

Christin helped me navigate every nook & cranny of the home buying experience from prequalifying for a mortgage to the state of rates to investing your non-downpayment cash.

Can’t say I’m buying a home tomorrow, but at least I feel better equipped to make that decision in the future.
Thanks everyone for tuning into Fresh Invest. Check out fidelity.com/freshinvest for more information and resources. Be sure to join me next week when I dig into how to best track our favorite tech giants. Take it easy, everyone.

Morgan Chmielewski [00:13:50] Hi everyone, this is Morgan Chmielewski from Morning Brew. And as the producer of Fresh Invest, I’m here to let you know that this podcast was created on behalf of Fidelity Investments by the Morning Brew Creative Studio, and does not reflect the opinions or point of view of the Morning Brew editorial team. Sources are provided for informational and reference purposes only. They are not an endorsement of Fidelity Investments or Fidelity Investments' products.

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