Jonathan DeYoe of Mindful Money

Speaker1: [00:00:04.77] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Hello, this is Hall Martin with Investor Connect Day, we're here with Jonathan DeYoe, president and CEO at Mindful Money. Mindful Money is a comprehensive financial education and wealth management firm that brings mindfulness to personal finance. Mindful Money practices a behavioral approach to personal finance in a world that is market focused and performance driven, their goal focused in planning driven. You're just starting out. They have courses, digital planning tools and evidence based portfolios. If you're nearing retirement or selling your business, they have personal services to support you as you move forward into this exciting new time in your life. Jonathan, thank you for joining us.

Speaker2: [00:00:55.31] Oh, it's great to be here.

Speaker1: [00:00:56.53] Great. So what was your background before investing in seed deals? What did you do before this?

Speaker2: [00:01:01.86] So it's a great question. There's actually two strains of my background that come together, probably in twenty seventeen. And the one part of the background is, you know, I was raised without much terms of financial well-being, but my dad always talked about the importance of small business and the importance of of entrepreneurship and the importance of. And so I got this really, you know, when I was eight or nine years old, I started being steeped in investing and in business and understanding, taxes, understanding. And again, we didn't have anything. So I also at the same time wanted like I really wanted to be financially successful when I was a kid. That was something that was really important to me in my middle school and high school years. But I take a little the second strain starts when I go to college, you know, my first six months or three months in college. I'm studying finance because that just made sense. And then I got bored and I took a detour into philosophy and comparative religion. So I spent, you know, four years of undergrad and three years of grad school studying a variety of religious enterprises and a variety of religious experiences and specifically focused on Buddhism, mindfulness meditation. And I ended up dropping out and getting a job at Dean

Witter. So I started actually going back and doing the thing that I did younger and really, really loving it. Except, you know, it wasn't small business. It was looking at publicly traded companies. So I spent the first many years of my career looking at public publicly traded companies and entities invest in publicly traded companies. And it wasn't until investing in a couple of my friends businesses that I really got interested in. See it again?

Speaker1: [00:02:37.95] Great. Well, so who should invest in deals?

Speaker2: [00:02:40.68] Well, you know, 25 years in public markets and for me and I believe that wealth is completely possible, maybe even advisable without any exposure to seed. Right. I the first thing I do is I try to talk to people out of this a little bit because, you know, early stage companies are obviously very, very risky. The odds are stacked against success and seed investing. There are there are very few these companies that come through in an hour really just incredible. You know, there's very few Facebook. And to get to a Facebook, you can invest in a thousand different things later. Stage investors, the other issues later stage investors often squeeze out the the early, you know, early adopters. You can you can actually run into a lot of risk if you don't know what you're doing. But if you're going to do it, you should have. This is the kind of person, the character that should should be thinking about it. Someone that's that has a deep interest in startup business, has a deep interest in and an understanding of and maybe networks regularly with businesses understand its cap structures, understands the kinds of things that you're going to be investing in, understands how a business turns a profit, understands some of the marketing, understand some of that stuff. Probably someone probably should be higher net worth, you know, because you have to be able to create diversity, diversification of your investments and to do with seed. You know, you're looking at a lot of different individual holdings or a fund with lots of different holdings. And really, you got to be OK with the occasional hundred percent loss in a specific investment. You've got to be able to contextualize a loss in the greater picture of your portfolio.

Speaker1: [00:04:14.01] Great. And so how do you invest in seed?

Speaker2: [00:04:16.93] Well, for me, it's always been personal relationships. My first seed investment was a local retail game store and that was because I knew and trusted the founder. I think I originally purchased maybe 15 percent of the company and I've since sold five percent of

it back. I've 3x my return in the last, I guess, 15, 20 years, and I get I get a dividend from the company every single year. So that was if I had ten of those, that would be awesome investment, right? It'd be great. My next seed commitment occurred. This is probably fifteen years ago. I made a commitment to this guy. If he ever launched this enterprise, I would I would invest in his enterprise because I just like the guy. Like, you know, you meet these people that are just incredibly smart. He was the smartest guy in any room he ever entered. And I just I loved chatting with him and talking with him. And I said, hey, if you if you start this company, I'll invest in it. And a lot of time went by and he he finally came to me and said, hey, Jonathan, I started the company where, you know, it's I'm having a rough go this, that and the other. But he forgot that I made the commitment and he said, you know, how do I get capital? I'm like, dude, I'm I want to invest in your company. What is it? So he he told me about this.

Speaker2: [00:05:19.62] He built a chip. Silicon company, Silicon Chip, and so we're we are talking currently to Amazon and Microsoft and Samsung for the around. So I'm very excited about that one. That's great. So that's my first and second seeds, very personal relationship. And the third the third place I've I've was introduced to a manager of a precede fund. And so for me, it's everywhere I've gone has been someone I knew. The preceding fund gave me this. The story was unique. It was not something I'd ever heard before. It was a personal relationship to begin with. But he said that, hey, what we're going to do is we're going to we're going to commit at least 50 percent of our fund to women and people of color. And the thesis was these founders don't get funding and they're underfunded for dumb reasons, not because that the ideas aren't good, but because there's some kind of bias in the system. And I was like, that's you know, that's seems like a pretty good thesis to me. Let's let's let's invest the money in that. So it's it's great. And you know how this works to invest in a fund, you get you get access to the follow ons. And so the follow on investments from that, I've done probably 15 follow ons out of that. And it's been that's been really, really fun for me.

Speaker1: [00:06:31.07] Great. And so what are the challenges with seed investing?

Speaker2: [00:06:35.00] The first one is most fail. So and it's really tough to say which one's going to be successful out of the gate. I mean, the real big challenge is you've got to get that diversification. One potential is not to do individual companies, you know, invest in a seed fund or a private equity fund, of course. But you've got to realize that investing in a fund is going to

be a drag on your overall performance. You know, they have infrastructure, they've got expenses. You know, they've got diversification issues. They've got to pay people. So there's much of the additional benefits of investing in seed. If you do it in a fund, much of the additional benefit is going to accrue to the general partner of the fund, not to the limited partners. So the flip side of that is you do individual companies and if you do individual companies, you've got to have a minimum of 10 investments. But if it's a you know, if you're thinking about. 5000 dollars for investment, that's not you're not going to have access to really good companies, you have to invest more and more broadly. So if you're going to do 10 investments and going to 25000 dollars each, you have to have a minimum, you know, 250 K to invest in seed companies. And that's, you know, if you're going to if you're going to limit it to five percent of your portfolio, that means that's that's a five million dollar portfolio.

Speaker2: [00:07:48.70] That's that's a stretch. You know, that's that's there's not many investors that have that liquidity to create the diversity they need in order to protect themselves. And then finally, it's research, right? The challenges you've got to look at a thousand companies to invest in 100 companies to get the one company. That's the really, really good investment. And so, you know, I got I got lucky with my buddy the first time, and I'm I might get really lucky with my second buddy, but not a single one of the ones in the fund and really panned out wonderfully. And so the bulk of my investments have been, you know, follow ons and those not quite as promising. But, you know, I'm still we're still in it. So I'm still, you know, good things could come. So I've also looked at, like, hundreds of these things. Clients bring them to my attention and I don't ever invest in them, but my clients sometimes do. And we just kind of take the time and pore over the the thesis that the seed company has the business plan. What are they doing? What markets are they going to enter? It just you know, the big challenge is, is it's risky. The second biggest challenge is how you manage that risk is either by committing more capital to the space or spending a lot of time. So you've got to have the time.

Speaker1: [00:08:58.18] Great. So where does it fit into your wealth management program?

Speaker2: [00:09:02.17] I mean, that's that is a great question. The challenge is it it doesn't on a universal in a universal way. Right. So not all of our clients are accredited or qualified investors for one. For for two. And I realized that some rules have changed around that. And but if you

get access if you're not a qualified investor or an accredited investor and you have access to a deal, it may not be a deal. You want to participate in the really, really, really good deals unless you're unless you're really early or have, you know, somebody that's in the company or something like that. The really good deals you can't get to with small investments, they are cornered very quickly by, you know, Kleiner Perkins. And, you know, all the big seed funds are now are now moving down market. They're looking for earlier investments. So it's very difficult to compete. So it doesn't really fit into a universal application. So what I've done is I talk about it. I talk about how private markets and public markets are different. I talk about how access to private markets for me have been has been through friends, through people that are engaged in that in the space.

Speaker2: [00:10:05.23] I don't like most of the funds that I've seen. I've seen lots and lots and lots of funds. I generally don't like them. There are some good ones, you know, that, you know, if you look at a bell curve of funds, there's always going to be three or four or five. That sound just awesome. Of course, you know, six or seven years ago when they started, you had no idea right after the fact. It's easy to pick the winners, right. It's harder to pick the winners going out of the gate. So for us, it's been responsive, it's been educational, public versus private markets and then has been responsive. So people bring to me here, Jonathan, I got this. I got one this morning. Somebody wants to invest in some Swedish company. Fantastic. Send me all the information you have. I'll take a look at it, tell you whether or not I would invest in it. And let's talk about the thesis. You know, the owner. How do you know the owner? What's the what is the thesis by the company? Does it make sense to invest in it? So I recommend if you're going to start do with people, you know,

Speaker1: [00:10:54.34] If you can write. And so what role does seed take in your portfolio? I think Angel World used to have three to five percent of your discretionary funds going into these type of investments. What what's your take on that?

Speaker2: [00:11:06.70] Yeah, so I, I think that the baseline is yeah. Three to five percent makes a lot of sense. I think in my, my personal portfolio it's about five percent of my I'd say there's two portfolios, there's, there's my investment portfolio, there's my life portfolio. And so the way it fits in my investment portfolio is about is about five percent of the portfolio itself. And I would recommend, given the steep changes in the public markets in the last 15 or 20 years, you may

be able to shift a little bit higher than five percent. Again, this is a very individual thing. And I wouldn't recommend anything in in a in a situation like a like a podcast. But an individual who knows what they're doing could go to 10 percent. I think that would be fine. But it's that's a very, very individual. The second part of my portfolio is my life portfolio. And this is this is what I mean by that. I think that all investing is based upon our ability to be optimistic about the future. So much of the public, if you pay any attention to like the media and even many of our clients, they worry a great deal about what's the economy doing right now, what is the effect of politics on on on our portfolios? What what's going to happen if tax rates go up and these types of things? And I wouldn't say that these things don't matter, but I would say that.

Speaker2: [00:12:23.33] In every single scenario, there are business people launching new businesses, those businesses will hire smart people, train them further, they will reach for success, and and their enterprises will will will grow and and they'll try to do good things for all their stakeholders. Being involved in seed for me is a boost to my optimism. It makes me feel better when I see these people, you know, doing the fighting, the good fight, starting companies, trying things that are new. And, you know, back when Uber was brand new, I had a chance to invest in a company that was, you know, we're going to do is we're going to we're going to be a bank. So Uber drivers and Lyft drivers can get their paychecks sooner than when Uber and Lyft pay them. So they give like a credit deal for their paychecks. And I was like, hey, that's an interesting idea. Did I make any money on it? No, but it's somebody thought saw the opportunity and they made something of it. And I think that's really, really cool. It just bootstrap boosts my optimism about the future.

Speaker1: [00:13:20.88] All right. Let's talk about your your book, Mindful Money. What inspired you to write it?

Speaker2: [00:13:25.55] I think I was one of those people that had, you know, an idea my whole life. Like, I thought I had a book in me. And so for many, many years, I had this idea for a book. And and the inspiration, the final inspiration came from a friend, Alice Walker. We're having a conversation in 2009, March, March of 2009. And I was explaining sort of my long term investment philosophy. And she told me that I had to write a book I, you know, knew I wanted to write a book. And but when a Pulitzer Prize winning author tells you you have to write a book, you pretty much that's a rule. You have to write a book. So I started writing and in twenty

seventeen. So eight years later, the book was finally published and she said, you know, sort of as an incentive, hey, Jonathan, you write this book, I'll I'll write your forward. And so that was my that was awesome to have her at the for and it's probably the best part of the book actually. You should get the book just to read the foreword.

Speaker1: [00:14:18.23] And so so it was the book for

Speaker2: [00:14:21.47] You know, I've struggled in the industry of wealth management. We tend to always move upmarket. We always want to work with bigger clients, with more assets, and that enables the seed conversations. It's it's fun. It's but I've always struggled with this idea that if my parents or someone like my parents came to me, that I would say no to them for some reason that they didn't have enough money or whatever. I thought that was stupid. So the books the idea behind the book was anyone who struggles with money and doesn't have access to really good, you know, quote unquote advice that could be the struggle could be like aligning their spending with life goals or could be how do I save enough or how do I invest wisely. So in the book, I try to present the simplest path that people can follow by themselves. I wanted to reach an audience that didn't have access to good advice with the book. You know, the great corollary for me is a lot of people read the book and called us up and said, hey, I like your philosophy. I'd like to be a client. That was never the intention. It was always it was always created for people that could so they could do it themselves. They didn't have access to an adviser.

Speaker1: [00:15:29.27] And so how should one use it for their work?

Speaker2: [00:15:32.31] I mean, it's easy. The book is designed for that. If you read it and there's there's exercises at the end of every chapter, if you do the exercises, then at the end of the book you have a you know, a mindful personal financial plan that aligns goals and resources with a simple investment process that brings those goals and plans to fruition and kind of a calm and sane way. You don't have to outguess markets. You know, we're not I say stop predicting, start planning. And the book really helps people create a plan that they can follow.

Speaker1: [00:16:06.20] Right. And so you talk about creating happiness. What are the things that create happiness?

Speaker2: [00:16:12.05] So in the in the second part of the book, the first part of the book, we debunk the myths that Wall Street gives us. Second part of the book, we we talk about these what I call the pillars of happiness. Now, the pillars of happiness are things that the philosophers and monks have been discussing for thousands of years and things that modern psychology has has borne out with academic research. Now, you know, I list eight things and I don't think they're exclusive anyway. They they overlap a little bit. And I'm sure that people could name another one or see how these two are actually the same thing. But for me, they are health, you know, got to take care of your body. My my story starts with my my story of understanding what my happiness comes from starts with recapturing my own health. The second one is like learning and experience. You've got to have good relationships. You got to have meaningful work. Some people call that purpose. You've got to be accountable to something besides, you know, the whim of the moment. Be generous. You have to maintain that optimism, which is why one of the things I like that seed investing is because it really supports my optimistic take on the world. And then you got to be grateful. You mean even when stuff's not working, going your way, you know, you're still better off, especially if you're listening to a podcast. You're better off than the vast majority of the folks on the planet, those kinds of things are the things that lead to wellbeing and happiness, and that's where we should really begin our thought process.

Speaker1: [00:17:33.54] Right. And so how do you build a plan on those items?

Speaker2: [00:17:37.56] The question is really what is the plan? Right. A plan is, you know, a documentation of an intentional management of resources towards specific ends. The point of a plan, in my opinion, financial plan, in my opinion, is to provide a rational approach to what the philosophers call the life well lived. If if a life well lived is the goal of the plan, then the plan has to be built on the foundation of personal values, life, purpose and the goals that we decide for ourselves, you know, lead to a life well lived. So my question would be what else would form the foundation of a plan? What else besides values, purpose and goals would make for a rational basis for decisions towards an end? I can't imagine anything else. And, you know, I think who was it? I think it's in Hamlet. Right. Polonius and his son Laertes. Is that Hamlet? Maybe it is to thine own self be true. It follows as the night today, though, can not then be false to any man. I think that's you really have to know who you are because your entire financial future on who you are, what you value, what's important to you. That's how you get there.

Speaker1: [00:18:48.84] That's great. When the last minutes that we have here, what else should we cover that we haven't?

Speaker2: [00:18:52.99] We didn't we actually didn't talk about the courses. And you know what? I'd like to offer your listeners? I'd like to offer a I'm sure the link between the show notes, but you go to our website mindful that money and you can go to financial education. And we have a course there that is designed to help people uncover their values, figure out their purpose and set achievable life goals. And we'll have that course for your for your listeners that they can go through and do it for free.

Speaker1: [00:19:21.15] Right. We'll put that in the show notes. And I want to thank you for joining us today. How best for listeners to get back in touch with you.

Speaker2: [00:19:27.66] The best place to go is to find out all of our you know, everyone's got their own social media choices. And the best place to go is to go to our website. That's again, that's mindful that money. And you'll see up on the top there all of our social media. You can follow us on your chosen social media platform. You can also find us, you know, my first name or info at mindful that money.

Speaker1: [00:19:47.66] Great. We'll put those in the show notes and hope to have you back for a follow up soon.

Speaker2: [00:19:52.53] Sounds good. All thanks for having me.

Speaker3: [00:19:54.87] Investor Connect helps investors interested in startup funding in this podcast series Experience, investors share their experience and advice. You can learn more at Investor Connect, Doug. Paul Martin is the director of investor Canek, which is a 523 non-profit dedicated to the education of investors for early stage funding. All opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.