

Peter Lazaroff of Plancorp

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, and many other investors for early stage and growth companies. I hope you enjoy this episode. The Investor Connect is a 501 C three nonprofit dedicated to the education of investors and startups for fund raising. Please consider donating \$100 to the program to help others in their investor and entrepreneur journey. You can find the donate button on the Investor Connect org website. Hello, this is Hall Martin with Investor Connect. Today we're here with Peter Lazarov, chief investment officer at Plancorp. Plancorp is a comprehensive wealth management firm specializing in advanced tax planning and equity compensation planning for executives and business owners. Peter, thank you for joining us.

Speaker2: [00:00:54] Hall Thanks for having me.

Speaker1: [00:00:56] Great. Well, tell us more about your background. What did you do before this?

Speaker2: [00:01:01] So I've always been in the financial advice profession. Out of college I went to a registered investment adviser or what we call an RIA, and at the time I didn't know why that was a good choice. But in hindsight it was a great choice for me. Always being independent and being able to recommend products and strategies that are clients best interest as opposed to being limited to what we can offer people was really quite a boon to my career. And I joined Plan Corp in 2015. I started as our director of investment research. But today I am our chief investment officer overseeing a little more than \$6 billion for clients across 44 states. And in 2018, 2017, these years, just all blend together. I actually was part of a startup called Brite Plan, and so I'm the chief investment officer there. We're registered as RIA there as well. But our primary offering is a fintech, one that offers financial wellness as a benefit to companies. So that's been a really fun project. Gives me a little bit of perspective for working for a startup while having the safety of a full time paycheck job for my day to day.

Speaker1: [00:02:18] Right. So what excites you right now?

Speaker2: [00:02:21] Well, ultimately I am really enjoying problem solving around fixed income these days. I think the fixed income environment is extremely interesting. Obviously interest rates are very low, inflation is very high, and to me that means that mistakes are extra costly these days. And so both trying to find as an allocator fixed income pieces, they're going to mesh well with an overall portfolio that's been really interesting. How to match the different needs for people has been really interesting. And so what I think of my role as chief investment officer and it's a lot of it is reading and writing and research and conversations. And to me that seems to be the most interesting puzzle to me at this very moment. The other thing that I have going like you is, is a podcast that's relatively new. I've do it every week. It's called The Long Term Investor, which you can find at the long term investor dot com and I'd say 40 some episodes in. And I've got to tell you, it's a lot of fun. I don't know how I didn't figure this out as fast as you talking to lots of people can be really interesting. And so that's that's been an exciting project for me as well.

Speaker1: [00:03:33] Well, that's great. So you deal with a lot of investors and you deal with a lot of startups. What's your advice for people investing in startups? What do you tell them to do before they write that check?

Speaker2: [00:03:42] Well, I asked them if they've ever heard of a base rate or Bayes theorem, and I say, Hey, what's the base rate on these things working out? And I think with a startup, what a lot of people forget is that successful venture capital companies only have a handful of investments payoff out of the thousands that they invested. And what's really interesting is if you look at the Russell 3000, so publicly traded US stocks, Russell 3000 makes up about 98% of the investable US market. Less than 4% of the companies drive all of the return for that. So people think that's unique to private investment, but it's actually true in public investment as well. And so when you're investing in startups, I would suggest that you don't invest more money than you can afford to lose. I would also suggest that if you aren't already maxing out your tax deferred retirement accounts, then you probably should hold off on the startup investing. It is sexy, it is exciting, and there can even be a legitimate case for it within your portfolio. But I think you really have to have your financial house in order before you're doing so and recognize that if you're going to be a startup investor like the best, if you want to be Yale, who sort of on the endowment side has led the venture capital investment stream, you have to

realize that you don't have their relationships and their skill and their team or anyone like them and just setting the right expectations.

So startup investing, you could have the highest risk tolerance in the world. And I actually feel like myself with public equities, I have as high of a risk tolerance as it gets. But as someone who is also a startup employee and who has money in that company and gets options as well. I can tell you that that's a different type of risk. I personally am less comfortable with that risk. And so I think kind of understanding that, especially if it's your first time, it's just a very different beast. And you have to assume when you write that check that you may never see it again. And that's a very reasonable, legitimate outcome, regardless of what the pitch deck looks like.

Speaker1: [00:05:51] Great. Then on the other side of that table, what's your advice for people running startups? What do you tell that founder to do before they go out to raise funding?

Speaker2: [00:05:59] Have a great team around you. So I think one of the things I've learned in my both working for a startup and having a little bit more exposure on the investor side is that the leader is very important and it's not just the leader, it's leadership. So as your team grows from one to 3 to 10 to 20 to 100, that leadership at the top is extremely important. And you can have a great idea. But if a good leader isn't there, I don't know. I'm just a little bit less enthusiastic about it. But if you are someone who is receiving funding, obviously you need to understand what your runway is. You need to understand what risks you can take because it is a high risk, high reward space. And I think that typically one of the hardest things for a successful startup founder would be once you're successful, not plowing everything into the next venture. And so I think when you see success in a certain area and you feel like you can control the outcome, that that tends to be what happens. And it's harder to convince those people, hey, maybe you ought to diversify some of your savings, keep them liquid, if not perfectly safe, but something in more publicly traded equities, something like that.

Speaker1: [00:07:13] Great. Well, let's talk about the book you wrote called Making Money Simple. Can you tell us a bit more about that and what inspired you to write it?

Speaker2: [00:07:23] Well, making money simple was really my attempt to put everything I know about building a financial plan, its setting goals, investing and getting all those big one time decisions that you have to make, like estate planning, buying a home, starting a family

insurance, etc. Try to make it easy and accessible such that if you didn't hire an advisor, you could read the whole book and maybe build yourself a financial plan on your own. I am obviously biased that I think having a financial advisor is wildly useful. I have a financial advisor myself, despite having all my professional designations, despite having over 15 years of experience. But, you know, I think when you go through the book, you can even do the first four chapters. If that's all you read, you can start to build yourself a financial plan and automate a lot of things. And that's what I wanted it to be. I didn't want the book to be too long. I think most books are too long to begin with. Nonfiction wise. A lot of there's there's a saying, like most books, could be a blog post and most blog posts could be a tweet. Well, I think there is a shred of truth within that. And so what inspired me to write the book is there was just a book in me screaming to get out. I really enjoyed the writing process. I really disliked the editing process and the promotion process. But ultimately I'm really proud of what was published. And I think had publishers not approached me about, you know, a book deal, maybe I wouldn't have done it. But once I had a few publishers reaching out to me and I had an idea and it felt right, that that was enough to drive me forward.

Speaker1: [00:08:58] Well, who is the primary audience for it?

Speaker2: [00:09:01] That's a great question. So originally I wrote it for people in their thirties because I was writing it while I was 30, and I sort of felt like I think I was 33 or so. Is that right? 34 when it came out and I said, Yeah, my age, plus or minus ten. And I think that still holds up. So that plays like 24 to 44, something like that. But what I've come to find is that people have all life cycles seem to like it. I would say if you're already retired, it's not for you. But I have been surprised by the response of people in their forties and fifties. It is applicable, it's not necessary. It's a lot of it's the basics, the investment section. What I tried to do because investments are my passion is not so much focus on the how to open an account and diversify, but really focus more on the theory of good investment evidence based approaches. And so maybe that's what's helped set it set it to be working for multiple age demographics.

Speaker1: [00:10:02] Right. And so when you wrote it, what surprised you the most?

Speaker2: [00:10:06] Well, I would say what surprised me the most was I had already been writing quite a bit. So I currently write for the Wall Street Journal and for Forbes, and I was

doing that back then. I was also publishing blog posts to Peter Lazaroff every week, and I sort of thought writing a book would be like writing 50 or 60 blog posts, and it was anything but that. It was much, much harder. And some of that's because when you go to edit a 600 word or 1000 word blog post, that's easy to read it top to bottom. But when you suddenly go to read a 50,000 or 60,000 word transcript, well, that's a totally different thing. And so I mentioned moments ago I hated the editing process that was torture. If I could do it again, I'd probably hire a line editor to be editing chapter by chapter as I was writing it, as opposed to writing the whole manuscript and then trying to edit it at the end. That was quite a bear. And then the other thing is, by the time it was ready to come out, I think I was so exhausted. I'm like, All right, what's the next project? So I didn't put a ton of effort into promotion. I actually feel like it got more promoted later after its release, just because I had a little bit more energy at that point.

Speaker1: [00:11:22] So what was the most important takeaway you found in the book itself?

Speaker2: [00:11:27] Well, this is going to sound really simple, but everyone knows about compound interest and the power of compounding. We all learn about it in high school and maybe even college again. And certainly if you're in the finance profession, you understand the importance of the exponentials. But I think when forced to write about it and thinking about how every little tiny decision is unnoticeable on its own, but when compounded over multiple decades, it's impossible to ignore. And there were a handful of holy cow moments as it pertains to the impacts of compounding that. Again, I know that they're true. But when you're forced to put the math to it and there's some examples, I actually ended up making it chapter one of the book. It was supposed to be part of the investment section. And as I was writing and as I had examples, there are a couple wild examples in chapter one. And any time you go to my website and sign up for my newsletter, you get an automated welcome email saying, Hey, thanks for signing up. And here's chapter one of the book is a thank you for that. And so if anybody's curious just to see that chapter, that's something they can do.

Speaker1: [00:12:33] Great. Well, how did the book change the way you think about the process itself?

Speaker2: [00:12:39] The process of investing. You know, I don't think it really changed anything. I think writing sort of clarifies thought. And so perhaps I have more clarity around

different processes and thoughts around different financial planning items or investing items where ultimately, if you ask me a question and I've written about it before, I'm going to have a very clear, concise, well thought out answer without having to rehearse. Just because writing allows you to organize those thoughts and really understand better what you think after and tell people it's a big part of decision making is writing, not even necessarily writing to publish, but just writing to better understand all these ideas that are marinating in your head. And sometimes they come out when we're doing a mundane task, like walking or taking a shower or driving to work, but ultimately putting pen to paper on something like the book, I think probably just solidified a lot of beliefs that I already had and if anything else clarified them a little more so than they were prior.

Speaker1: [00:13:44] What's the biggest mistake people make when they approach this topic? You see a lot of people doing this. What do you find they often get wrong most?

Speaker2: [00:13:52] With investing or with writing a book.

Speaker1: [00:13:54] Investing?

Speaker2: [00:13:56] Oh, my goodness. What do people get wrong? Well, I would say that people really struggle understanding their own blind spots. You don't know what you don't know. And with a lot of investing, you know. People are overconfident and that bleeds into so many different things and they have an aversion to losses. Those two things alone seem to really skew behaviors and actions. And once you have an idea in your head, it's really hard to break it. So if you don't know what you don't know and you have one idea, but you don't have all the perspectives, even when you're shown facts, your mind is going to do somersaults, trying to confirm the idea you have in your head and ignore this confirming information. And so I think we're a lot of advice where a lot of investors struggle is not really understanding those blind spots. And if there's one other place I feel like a lot of investors fail, it's just not benchmarking correctly. So people are always worried about beating certain. Numerical benchmarks that really don't have anything to do with their goals. And even if they are goals focused, they're always just worried about what they're brothers, sisters, cousins, neighbor is doing and like, do I have more than that person? And so I think it's. Poor expectations. They're not understanding what

enough is, not really understanding what those goals are, that that can really lead to less than optimal behavior.

Speaker1: [00:15:26] Well, great. Well, based on this experience, what would be the next one you'll write.

Speaker2: [00:15:31] Huh? Well, I'm going to need spousal permission to write another book. However, I am in discussions with the publisher. Should that permission, should that permission arise. But, you know, I think I have one more idea. I won't say it just because we haven't really gotten all the copyright stuff settled, but. You know, I think writing a book can be fun. You don't write a book to make money. You don't write a book to make the bestsellers list. Maybe if you're a famous author, you get paid a little. And when I sign a book deal, the advance is super small. You don't do it for that money. But for me, I would like to hand write something that I can hand to every prospective client that comes in the door and really outlines strictly investment philosophy. So this first book was pretty holistic in terms of all the financial planning aspects, but this would be very investment centric. It would probably go a layer deeper than this first one went, but still aiming to be approachable to anyone.

Speaker1: [00:16:34] So at what age do you think people should really start to delve into this topic and start to really give a good thought?

Speaker2: [00:16:41] Well, I don't think you need to be an expert, for example. It's also not necessarily that complicated. I mow I used to mow my grass all the time. I mean, it's not that hard. And I didn't kill my grass, but eventually I hired somebody to do it and they did something more than not kill my grass. They made it look really nice. And so I think maybe a better question for people would be, what's the right point in which you should outsource and hire an adviser? I think Wall Street has a lot of incentive and the media to make you feel like you can do it yourself and you can. You 100% can do it yourself. Research is pretty strong that you're not going to do an optimal job, and I think people should be taking this stuff seriously right away at all ages. You should be investing as soon as humanly possible. To me, the real question is when do you outsource and how do you outsource? And at that point, you know, I think using the robo advisors is you really good option until you're maxing out all your tax deferred accounts and you're still investing taxable dollars because hiring an excuse me, hiring an adviser who's a

fiduciary, that's you. Typically those have higher minimums and it's going to cost more. But you can get a lot of the bang for your buck by just going to a robo advisor while you're in those early stages. When you find yourself needing more proactive tax advice, more capital allocation advice. So not just like where do I invest my assets, but where do I direct my cash flow to better meet my goals, whether that's debt paydown or investing, saving, etc. That's really when you ought to be hiring an advisor.

Speaker1: [00:18:20] Three. Well, what online information source do you find most helpful in your work?

Speaker2: [00:18:25] Oh God, this is really embarrassing, but I feel like Twitter teaches me so much. And while that may sound insane to a lot of people, if you follow the right people, there's a lot of people out there who are just discussing stuff in ideas and ultimately they point me to other big publications. I've been a subscriber and reader of The Economist for basically my entire career, and that's a nice baseline. And sure, I have Wall Street Journal and Bloomberg subscriptions, but ultimately, if something's really interesting, it somehow seems to rise to the top of my Twitter feed. And if you have a good filter and you have trusted sources, that can really be a powerful platform.

Speaker1: [00:19:06] Right. Well, in the last few minutes that we have here, what else should we cover that we haven't?

Speaker2: [00:19:11] Oh, gosh, I don't know. I mean, I think finding it's maybe kind of tailing into what I what I just said, finding good filters, finding good ways to accumulate knowledge and information I feel like is always important for investors. And the level of competition is absurdly high. And I sort of feel like the only way to win in investing to beat the market by is having better information than everybody else or interpreting the information better than everybody else. And both of those are extremely difficult bars to clear way harder than you might think. And. Most people drastically underestimate the competition they face, both in trying to compete against them. Also, the information that people have these days is unbelievable. And so I think the more that you can learn about those things, whether you are the person running a startup or the person investing in startups, the more perspective it's going to give you in the end.

Speaker1: [00:20:09] Great. Well, so how best to get back in touch with you?

Speaker2: [00:20:14] Well I mentioned the podcast the long term investor dot com that's pretty reliable these days. I'm at Peter Lazaroff basically everywhere or Peter Lazaroff. Those are the easiest ways to get me.

Speaker1: [00:20:26] Great. We'll put that in the show notes. I want to thank you for joining us today and hope to have you back for a follow up.

Speaker2: [00:20:31] Thanks, all.

Speaker1: [00:20:35] 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. Org](http://InvestorConnect.Org). Hal Team Martin is the director of Investor Connect, which is a 503 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by Hal in Podcast Gas 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.