Dina Isola - Ritholtz Wealth Management - Transcript

Tim: Welcome back to Living with Money. On today's episode. I'm joined by Dina Isola. Dina is an investment advisor representative with Ritholtz Wealth Management in New York City. Dina, thanks so much for coming on the podcast.

Dina Isola: Thank you for having me. I'm excited to be here.

Tim: Before we get into your work, let's start with just a little background about yourself.

How did you first become interested in the field of finance and money? And what was your relationship with money like growing up?

Dina Isola: That's an interesting question because I really wasn't interested in money. I mean other than when I was young, I really did enjoy earning money myself. I'm one of seven children, and so independence was highly encouraged growing up. So one of the easiest ways to get I think my parents' approval was to show that you could be mature.

So I liked earning money, that I do remember.

But in terms of being interested in it, I really wasn't. I started out briefly as a business major, and I hated it. I mean, I despised it. And after three semesters, I was like, "This is just not for me." When I got out of college, ironically I ended up wanting to get into PR or advertising, something along those lines or publishing. And those fields were not paying very well. Someone said to me, "Hey there's a brokerage house, EF Hutton," and now I'm really, really dating myself. "EF Hutton is hiring, and they don't care how fast you type." Because unfortunately when I graduated, that's what they did to girls.

They made you sit down and type even with your college degree. And I was not a fast typist. So I ended up at EF Hutton, and it's not really where I wanted to be. But over time what I ended up doing was segueing from being at a brokerage house into communications, financial communication. So I found a way to do what I liked to do, which was right with financial.

It didn't become personal to me in terms of wanting to be an advisor. And even then I was a little dense about it truth be told. But my dad got sick and my father always took care of the finances and my mother had her hands full. And she couldn't take care of this, and she showed me what someone was willing to do for her. And I was like, "This is horrible. It's really expensive. There's going to be terrible tax implications, do not do this."

And so my husband and I sat down and we did this project for them where we rejiggered the portfolio and we really made it consistent with what their new objectives was, which was he was going to need care in the home that was not going to be covered by insurance. And at the end of the day I said to Tony, "This is no longer a hobby, something that you're good at." Because he always liked investing. I said, "This is something that we should have a business, we should help people." Because it scares me that someone like my mother would be getting this horrible out there from a so called professional and no one's taking the time to really look at what someone's situation is and act on their behalf as if they were in those shoes. And I thought that that was really needed. That's how I got interested. It was a personal reason. The only way I would've gotten interested in money, it had to hit my heart in some way because that's just how I'm hardwired.

Tim: Yes. I was going to say that's a pretty unique way. I mean I ask a lot of the guests about that and usually for people that starts in college, they studied something or they got introduced to the stock market. But having a personal connection there, I feel like that got you started on the right foot with the right motives behind your work when working with clients. Would you agree with that?

Dina Isola: We were really in one regard, naïve. But it was very organic in that is that we were not sitting here saying, "What direction is the industry going in, and what do the demographics suggest?" We sat there and said, "What would you want from somebody if you were getting advice?" So little did we know it at the time that we were choosing fiduciary, which was going to be a hot button word, but that's what we did. We designed something, a service that we would want ourselves if we were not able to do it for ourselves. So being genuine like that I think absolutely helped us stay focused on what we were doing. And it also helped us build our business.

Tim: Right. Yeah. I was going to mention how you started the fiduciary firm Fee Only Firm with Tony back in 2002.

Dina Isola: Yes.

Tim: Today, fiduciary and fee only are starting to become more popular. But back then it wasn't really a term that people knew a whole lot about. So how was that as a differentiator back in 2002 when not too many people were doing what you and Tony were doing as fiduciaries and fee only advisers?

Dina Isola: I think people knew straight away that we were different when they would come to us and we would look at their fees that they were paying as they had no idea that they were paying. And we would go to third party sources and show them, "Hey, you're paying this." And they would say, "I had no idea I was paying that. Well then what are you going to charge?" And I'd say, "These are expensive products. There are products that compensate the person selling them to you. And we don't work in that matter." So once they saw, "I'm going to get a bill. A bill. I'm going to know what I pay you." They embraced that. For a minute there was a, "Wow, I'm going to get a bill." And then when I said, "You're getting charged, you're just not getting a bill." From the other guy. So once they realize what the amounts were, it became pretty obvious.

And there were also times where we told, "No, no, keep that account." They had some times these old, old annuities came out that were actually ridiculously good and the company discontinued them because they weren't profitable any longer for the insurance company. But if you got in, it was a pretty good deal. And we would tell them, do not get rid of that. And someone else would have told them, "Hey, move it over to me." And we would tell them, "No, no, that's good. Leave that one alone."

Tim: Yeah. People might have the idea that regardless you want the business even if it's like an annuity might be a bad product, but not all annuities are bad. And sometimes doing the right thing for clients is turning away that business and saying, "You know what, you're actually in good shape with this." Just keep it and keep doing what you're doing. Right?

Dina Isola: Yep. And whenever we've told people that, like leave this alone, you have that account there, that looks good, don't touch it. They would be surprised. If we said, "Keep more cash. You need a little bit more cash on hand. Don't throw all that at us. Reserve 20,000 to the side." And they would look at us like, "Wow, you're turning away money." And I think when you act genuinely, people know it. Because there's so much BS out there that when you tell the truth, it's like wow.

Tim: It's refreshing.

Dina Isola: Yeah. And people know it.

Tim: Yeah, absolutely. And for the listeners, we're going to get into some of that BS later on in the episode.

But first I wanted to touch on the move that you and Tony made in 2015 to Ritholtz Wealth Management. I've had a couple of your coworkers on the podcast as well. For you guys in 2015, what was that decision making process like to join the team, and what's life been like since joining Ritholtz?

Dina Isola: Well, it was really unexpected I have to say. Tony had reached out to them about a project that he wanted to do with regards to raising awareness about teachers 403(b) plans. And we knew the two of us weren't going to shed enough light on this for many to see. And we knew Ritholtz had this presence and this respect out in the industry for telling the truth. So we approached them expecting to maybe collaborate and they said, "Why don't you just join us?" It was really very surprising. Tony had been following them very closely. It was really flattering and surprising all at once.

I'm not going to lie. Being independent was really a source of pride for me in particular. Him as well. But for whatever reason, I really liked that we were our own firm. The reality was that we needed a succession plan, and the reality was that we couldn't go away for any length of time because who was going to back us up?

So for example, we literally just got back from 10 days in Italy and haven't been there to see my family in 21 years. And that just would not have been possible. It just wouldn't have been, because we couldn't properly service everybody. And also, God forbid, we got both hit by a bus. What would that mean to our clients? Because we're married, we work together, and we were two person firm. So there was a compliance issue.

And frankly, I was managing things that I wasn't really versed in like technology, and keeping abreast of these types of things. And it was getting to be a little bit much. We couldn't focus on our clients in the manner in which we're best suited because there was the day to day of running the business, that was starting to bog us down as we got bigger.

Joining them has been tremendous, but I have to say it's joining them. I don't think this experience would be the same had we joined a different firm. I think that had it not been Ritholtz, we would not have joined. I feel like they were the only firm that we would've partnered with. You know? I just felt like that was the right fit. And it was refreshing to find people, you do this too. There were the minority. When you find people who share the same values, it's like oh my gosh, I'm not an island. There are other people who do this business the right way, and it feels good to be on the same boat with them.

Tim: Yeah, absolutely. I feel like in the same way that we were just talking about with clients and bringing in business. You need to make sure that it's a good fit if you're bringing in assets or if you're joining a different part of a team or merging with the different firm. I think just in general there needs to be a good fit there and a good understanding of philosophies, and just meshing well on all levels for it to work out.

Dina Isola: And we built our practice, I'm sure very similarly to the way you guys built your practice, which is on a very personal family type way where clients are now like family members. So turning them over to somebody, onboarding them for example, which is something I used to do, was a little nerve-wracking because they were used to dealing with me. I was used to having that control. But luckily, Erika who is our head of operations, it was just a seamless, smooth transition because she handled the client's beautifully. They love her, which was huge because they kept saying, "I'm dealing with you. Right? I'm still going to deal with you. Right?" I thought oh no, poor Erica. One wrong move and they'll get upset. But luckily, everyone loved her. That really helped smooth things over.

And she's better at it than I am. She is, that's her expertise. She's an expert at the operations process. So they realized they were in good hands and that we have good people. And now we can offer two depth of services. We have people Bill Sweet who is a tax expert, and we have a gentleman, Gary Pulford who has estate background. So we've got insurance people in Chicago. With all these people, we can really offer a much broader look at their financial plan that Tony and I could've never done on our own. We would have had to turn that away. Even 401(k) business. Again, we have a colleague here on Long Island, same thing. We couldn't do that by ourselves. At a certain point, we just couldn't service that.

Tim: Yeah. So I read on the Ritholtz site in your bio that you have deemed yourself a "outsider" to the industry. Do you want to explain why you feel like you might be an outsider? And has being an outsider benefited you as an advisor throughout your career? Or do you think maybe the opposite?

Dina Isola: I think, so the outsider comment comes from several things. One being an English major who really hated business and left the school of business, literally fled from the school of business. My hair was on fire. Seriously, I was like oh.

And when I got into the industry, it was in the 80s, the late 80s. And it was a really obnoxious, particularly obnoxious period. Wall Street, the movie. And there were a lot of really people that I would have rather written a novel about then invited home to dinner or hung out with at lunch time. I'll leave it at that. Just really caricatures of people who really were just so impressed with the industry and in love with it all. And it was just a lot of smoke in mirrors, and I didn't like it. That's how I felt like an outsider because there was no adoration from me to this industry. I did not worship at this altar at all.

Then I, of course, now I started writing. So I finally made the leap out of working at brokerage firms into a mutual fund company where I was able to write. They saw that I had a degree in writing and they said, "Hey, we're looking for junior writer, do you want to join?" And I was like, "Hey, this is great. This is exactly what I want to do." But now I was talking to portfolio managers, and I didn't know anything. I knew nothing.

Tim: A little outside the comfort zone there. Yeah.

Dina Isola: Oh yeah. And, let me preface it again. I just keep harping on how old I am, but there was no internet to look this stuff up. Thankfully the firm that I worked at, the partners were really hands on and they were very helpful, and they were patient. But they were talking about stuff that I had no clue. They were talking about just all kinds of stuff. So I had to educate myself.

So I know what it's like to be that average person trying to dissect this language that we use in this industry and saying, "What the hell are they saying?" So that's how I feel like an outsider because I didn't adore this industry. I didn't choose this industry necessarily, but I did have to learn it. And I do remember what it was like to be baffled by it. And I think that unfortunately, there are many people in our industry that use that ignorance and use that kind of intimidation to throw around jargon so that people feel embarrassed or stupid so they won't ask questions. I make it very clear, hey, if you don't understand me, I'm not doing my job. I want you to ask me questions. I don't want you to sit there silently wondering what the heck. I won't use a term like basis point, because most people don't know what the hell that is.

So it's things like that. So I get what it's like to be on that receiving end where you're like, "Okay, I don't even know what was just said to me and I've got to go figure this out."

Tim: So you feel like being the outsider has helped you relate to clients and the everyday person who isn't in the industry and doesn't understand the jargon. Because like you're saying, to regular people, some of the stuff that we talk about on a daily basis, you might as well be speaking French.

Dina Isola: Yes, exactly. And I think look, I'm not for everyone. The person who really nerds out over the market isn't going to want me as their advisor. And that's fine. They have Tony. But the person who wants to feel at ease, and feel listened to, and have things explained to them so that they can walk away saying, "Oh wow, it's not that complicated. I do get it. I'm not going to freak out. This is a good plan. This is how it works." Just needs to get their feet on the ground and understand why the plant exists, how it works, why it works, some basic tenets of investing, and why they shouldn't be listening to their brother-in-law over Thanksgiving dinner when he's giving penny stock tips. Things like that. They want to talk to me. And that's good.

Tim: Yeah. In my limited time as an advisor, I've found that the person that you just described is the majority of people out there. There are a few people who would like to nerd out, so to speak with Tony. But I feel like most people just want it in plain English and just give it to me straight something that I can understand.

Dina Isola: Yup. And people I think too, they want to know that they're not missing out on something, because I think there's this mystique around financial banter. And they're like, "Hey, my friend said he did this and he did that," or, "He made all this money." They want somebody to say, "You know what, that's not really entirely probably accurate. And yeah, maybe he day traded, but what were his capital gains and what was the tax implication?" And after all of a sudden for all his trouble, what did he clear? They want to hear they're only telling me the good stuff. They're not telling me necessarily the bad stuff. Just that kind of perspective I think is helpful for people.

Tim: Yeah, absolutely. A lot of the work that you and Tony do surrounds teachers and the depths of their 403(b) plans and unfortunately the not so great aspects of a lot of the 403(b) plans. For you, how did you guys fall into that niche and why did you feel that that was such an important area that needed to be addressed for teachers?

Dina Isola: When we started the business, Tony was actually teaching. He was still teaching. And as a full time teacher, people knew that he knew a lot about the stock market and investing and they would pop in and see him and they'd say, "Hey, can you just look at what I picked for my 403(b) and does this make sense? And just informally asking questions. And he noticed this really disturbing trend. They actually happen to have had Vanguard on their list. They were one of the few districts that continued to have vanguard on the list. But at the time, a lot of districts had Vanguard, but none of his colleagues had Vanguard. They all had expensive annuities. And he's like, "Why do you own this?" And they'd say, "The guy was in." And he's like, "All my colleagues on the same garbage and they should really own the Vanguard, and I'm telling them get out of that and get into Vanguard." So it actually started out not as business at all. He was just being a good neighbor, a good colleague and say, "Hey do yourself a favor, don't be in that. You might want to get out of that."

So then as we started the business and we then started gaining teacher clients, we would help them transition. We were able to like manage those assets. And then we started seeing a really disturbing trend, and this is what I guess put a bee in our bonnet.

And that is that good options like Vanguard or Fidelity or T. Rowe Price, good low cost options that had been on the list were starting to fall off the list. And in their place came more high costs annuities, more of the same old, same old. And we're like, "Oh my gosh, there's not even a good option here. This is horrible."

That's what motivated us to speak out because it wasn't even, now they really didn't have it a prayer. If there is a long list and it's all terrible, that's all they're going to get.

And we felt that we had to speak out because they were just really being taken advantage of. And they're not protected because we're dealing with non-ERISA plans.

So the school district doesn't have the obligation of a 401k company where the employer would have to educate and make sure that the investments were vetted, and make sure that the financial professional was above board. They don't have any of those requirements. And yet the teachers assumed they did because these people are walking around their cafeteria, the teacher's lounge pitching them. They're thinking, "The school green-lighted this person."

Tim: Yeah. You mentioned the annuities within these 403(b)'s. And I saw a statistic that said almost three quarters of the assets within 403(b)'s are now allocated annuities. Do you want to talk a little bit more about why an annuity within the 403(b) plan might be problematic for the participants?

Dina Isola: First of all, all the annuities that we're seeing, I've yet to see one that isn't charging under 2%. And then there's surrender fees. So right there, the fees are egregious. You're paying for tax deferral benefit, right? But a 403(b) account, like a 401(k) or an IRA is already tax deferred accounts. So you don't need to pay for a benefit. You're not getting any enhanced tax deferral benefit. It is what it is. I honestly don't think these products should be permitted in any kind of tax deferred account. Kind of like a municipal bond. You're not supposed to put muni bonds right? You're not allowed to put them in an IRA. You shouldn't be allowed to put an annuity, I don't think into a retirement account. Because it's overkill. And again, like I said, the fees that they were paying were just egregious. And it's really hard if you're paying 2% and inflation is 2%, and the market returns 6%, you've taken market risk and you've basically gotten a 2% return. That's not good. You could have gotten from a CD.

So from a risk return perspective, that's a crummy deal. And most people don't understand that. When you break it down like that, they're like ... so that's really my issue with the annuities. And the sad part is that statistic is pretty alarming, right? Over 70%. But the sad part is all the mutual funds that are in there, I would venture to guess that they're every bit as expensive if not more. The mutual funds are no great bargain.

What I'm seeing, they're heavily loaded. Five and three quarters percent sales charges, things of that nature. That's no great deal either. So it's a hot mess, is what it is.

Tim: Yeah. And for someone who is just getting started, if someone has let's say started their 403(b) and enrolled into one of these annuities, is it kind of like once you're in it, it's too late? Or is there still something that they can do to get out of it? Or do you want to talk a little bit about the surrender charges and stuff like that, that come along with the annuities as well?

Dina Isola: So the surrender charges vary contract to contract. So I've seen surrender charges be five years rolling, which means every time a new dollar goes in, i.e. every paycheck, that dollar has five years before the surrender fee disappears. So if you're continuing to contribute, you're continually obliged to pay some form of surrender fee, no matter how long you've been in it. So I've seen surrender fees lasts as long as 15 years, which is just insane in my opinion.

When accounts are really low, when there's a low balance in the account, the surrender fee as a percentage, the percentage is going to be fixed, but it's not going to be a large dollar amount. I personally recommend that people just cut bait if they can.

Look, they can always take out 10% every year without surrender fees applying to that 10%. So if they are feeling a little squeamish about the surrender fee, that's another way around it.

Something else I like to do with people is before they make the decision, because I never tell them what to do. What I'll do is I'll say, "Let's call over to X, Y, Z, and find out what exactly your surrender fees are. And while we're there, let's find out exactly what it is you're paying." Since they never ever know. They never know what they're paying.

And so there've been times where we've calculated, I've had numerous people where we calculated what they were paying in annual fees. And it was pretty darn close than the surrender fee. It was $200 less than the surrender fee. So at that point I say, "Well, you're going to be paying this every year."

Tim: Just bite the bullet.

Dina Isola: You got it.

But like I said, I never make that decision for them. I just lay it out there. Usually I'll tell you what happens. Is because they think, oftentimes they've been told there are no fees.

This just confounds me. But they are told they're not paying anything. So when they find out that they're paying two and two and two quarters percent, two or three quarters rather percent, they're mad. They feel betrayed. So now when they hear the surrender fee, they're really mad. And then when they say, "You know what, I just want to get out of here. I don't want to be there anymore" Which is I think a normal response.

Tim: Yeah. I'd have to agree.

Dina Isola: Why would you put more money after that? You know?

Tim: Yeah. Especially when someone has essentially lied to your face. And said, "There's no fees. You're all good." And it's like, "Wait a second, that's not true. Why would I continue to invest with you?"

Dina Isola: I'll go one step further. There are account statements that I've seen where the line item says fees/expenses and it's a $0 million, or it'll say the 20, $30 administrative annual fee, and that's it. And they're being charged over 2%.

This is why I feel like the deck is stacked against them, because I know what I'm looking for and sometimes I find it hard to get to the bottom. So if somebody is innocent, naive, whatever you want to call it, and they're trying to get to the bottom of it, all indicators are saying, hey, it's okay. You're not paying anything or you're not paying much. And it's not true. Even when I go onto different websites for different funds, I'm looking at the fees, I'm like this isn't right. Oh sure. Because it defaulted to the class share that has no ... you know what I'm saying? You have to know. And most people don't. And they know that. They know that. And that's what I really resent. I really do resent it.

Tim: I feel like you need to know what you're looking for, and then still you have to dig through the fine print's fine print to get what you actually need to know. So it's just way too confusing for an everyday person to be able to really realize and understand what they're paying.

I wanted to circle back to what you were saying about some 403(b)'s that now only have terrible options, all annuities within the 403(b). What would you say is the alternative for a teacher who's just starting, and looks at their plan, and it's all bad choices?

Dina Isola: Yes. Great question. It depends upon who their third party administrator is. They dictate who's on the list. So for example, where we are in New York, on Long Island, the third party administrator actually happens to use or has on their list Aspire, which is the company that we actually offer our portfolios through. They're an approved vendor, but they may not be on that school districts list, for example. So if there is somebody that you want on the list, you can go and request it at the business office.

Now I've seen this go smoothly, and I've seen it not take off the ground at all. Some schools are like, "Hey fine, we'll add it." Other districts, they won't, or it's a more involved process. If there are no good options and you can't add any options, we've told people do a Roth IRA if your income permits that, or a traditional IRA, you're better off.

Tim: Yeah, I think I'd have to agree with that. It's a shame that it comes to that because obviously you can put in more money to a 403(b) than you could to a Roth IRA. But if you're paying too much in fees in the 403(b), who knows, it could end up canceling each other out. You're better off in the Roth anyway.

Dina Isola: Exactly.

Tim: When it comes to fixing these 403(b) plans, now that we've talked about a lot of the problems with them, what would you say is step one in terms of fixing the 403(b) system, and how can we make that happen?

Dina Isola: Educating teachers is really important because they're really unaware that there is a problem. Because of that, they're an easy mark and it's just way too smooth for them to be taken advantage of. It just is. They don't even know to have their backup.

They don't know to really read the fine print or ask pointed questions. So then just being aware is the first step.

Then informing them about what a fiduciary does. In a perfect world, I'd love a fiduciary standard for these plants. I would like these to be ERISA plans, but that's not ... I'm a realist in that I know that things don't change overnight. Can't even get the fiduciary rule passed. And so there's no way this is going to get grandfathered. But if more teachers raise a stink and say, "Hey, I'm looking in the New York Times and I'm reading articles in Barron's in the journal, and all indicators are saying this isn't good, what are you going to do about this school district? Even you're not legally obliged to, don't you morally want to sit on the right side of things? Or do you want to have your people taken advantage of?" You've put them out there. I know that's not necessarily for the faint of heart, but-

Tim: You think if enough people were to speak up, that school districts would want to do the right thing for their teachers and keep them happy so that they keep showing up to school and doing their jobs.

Dina Isola: Yup. And I think to the union can be sympathetic. It depends. Some are, some aren't. But if you happen to have a sympathetic union, then I would push whatever button I have to push to to get somebody to pay attention to this. It shouldn't be going on. When we speak to teachers and they realize what's going on, they're embarrassed. They act like victims. They literally act like abuse victims. After that settles for Forbid, then they get angry. They get really angry that no one has protected them and that have.

Tim: Rightfully so though in my opinion. I think the anger is justified.

Dina Isola: I've been asked, "Hey, can we sue? Can we sue?" And I'm like, technically they have not broken any laws. So no.

Tim: I watched a video. You and Tony were recently on Bloomberg and you guys were talking about the pros and cons of 403(b)'s. We've talked a lot about the cons now and the negatives of these plans. But can you tell us a little bit about one or two of the best pros that a 403(b) plan does actually offer the teachers?

Dina Isola: Yeah. Here's the thing. Teachers, at least where we live, have pretty good pensions. But the drawback is that the pension's not going to keep pace with inflation. Because of that, they need a growth component. So the 403(b) can really be that engine. It can be the part of their portfolio that ends up helping them afford what they want to do in retirement, where the pension can be covering what they need to cover, like the mortgage and etc.

The 403(b) is going to first of all reduce their taxable income, which is always great. It's going to grow tax deferred, always great. And then you combine it with the pension, and it supercharges their retirement. And if they're just starting out and taxes aren't really an issue, many schools offer a Roth 403(b). So they can contribute to that regardless of what their income is. You might not qualify for a Roth IRA outside of a 403(b) because your income may be too high. Right? But you can in this 403(b) set up if you do a Roth or if you're young and starting out and you're not earning a lot, so you're not really getting a big tax benefit. It's great to put some into the Roth 403(b) to have that benefit. When you go to withdrawal in retirement, you don't pay taxes.

Tim: Yeah, and as you were saying all of these pros I was thinking in my head gosh, it's such a shame that something that has all of these great benefits for its participants has essentially just been hijacked and taken advantage of with a lot of garbage.

Dina Isola: That's the perfect, hijacked is the perfect term. It really is.

Tim: Yeah. Back in March, you were called to testify in front of the US House of Representatives Financial Services Committee. Do you want to tell the listeners about that experience? What exactly were you called to testify about, and what was that experience like for you?

Dina Isola: It was frustrating and painfully illuminating. It is what it was. Regulation best interest was put out there as this, I'm trying to choose my words carefully. But as a fix to not offering investors the fiduciary rule as protection. Instead, they were going to offer this best interest, which has since passed by the way.

I was there to basically tell them firsthand what I see in a non-fiduciary environment. In 403(b) land, there are no fiduciaries. There's no requirement by the employer to have that kind of set up. Tony and I are really among the few fiduciaries working with teachers. So I said, "Look, this is what's going on in this kind of an environment. If you want a case study on why this doesn't work, why you need something stronger than best interest, this is why."

And aside from that, back in my brokerage firm days, I saw a lot of unsavory things go down. Investors were steered toward things that were paying the broker more money.

And honestly, investors don't know that. They don't know how that game is played.

So that's what I spoke out against. I was really hoping there'd be a dialogue. I was really hoping they were going to say, "Well how can we fix this? What do you suggest? How do you see this working?" But everybody was entrenched in their camp defending it like they would be defending smoking is good for your health, kind of a thing. Wait a minute, you're saying something preposterous, why are you defending this?

So I was so worked up before I got there. I was nervous. I didn't know what to expect.

And reading my testimony, no big deal for me, but I didn't know how that game is played. I'm not a game player. So I knew that I'd be outgunned. So I was anxious about it.

But let me tell you something, after I left DC, I was more amped up then before I got there, which I did not even think was possible. Because I was so angry by what I saw. I'm like, "You guys don't care. You really don't care that the average investor is going to get screwed over. You don't care. And why should you care? Because someone's probably bankrolling your next campaign, or you're basically interviewing for your next board of director position when you get out of Congress, because this is just a little pit stop you. But you're not representing who you're supposed to represent."

Tim: That's unfortunate. Do you think that they essentially just needed people there to check a box and say, "All right, we had someone here to come talk about the other side of the issue so it looks like we presented the front that we listened to the position's point of view," and they weren't really ever anticipating taking what you guys were saying into account?

Dina Isola: Yeah. I'm, I'm sure that was part of it. They probably were not happy with me because I wasn't really well versed in the protocol of that arena. And I was getting really angry, and I was trying not to be snarky. I wasn't intentionally being snarky, but sometimes I'm a New Yorker, what can I say? One of the one of the congressmen, Mr. Sherman was going on about lots of choice and why we should give lots of choice, which all research indicates is the worst thing you can do for investors, right? Give them a little bit of choice, but give them good choices. And he's saying all this stuff to just make best interest palatable.

So when he asked me what I thought, I was like, "Why can't everyone have your thrift savings plan? In a perfect world, that's what this should be. Easy for you to sit there and say that because you've got a Rolls Royce of a retirement plan." I didn't say that part. That I'm saying to you. But I said, "In a perfect world, I would like that thrift savings plan that you all have offered to every American."

Well, you would've thought I flipped him off or something. He was mad that I had said that. But it's the truth. You're sitting there on taxpayer dime getting really good benefits, getting great healthcare. And you have the audacity to not represent and protect people. So-

Tim: I watched your testimony and I was frustrated sitting here watching it. So I can only imagine how it was in person having to answer questions from the congressman like that. So I honestly, hat's off to you for not getting extremely snarky because I was sitting here yelling at the computer like, "What are you talking about?" I don't know if I would've been able to keep my cool as well as you did.

Dina Isola: It's a good thing there wasn't a blood pressure cuff on my arm. Because I don't know what would have happened. A lot of them basically took up their time, just filibustering, just making their point and not wanting to have a conversation, and not wanting to see how they're missing something. And that is so foreign to me. I never assume I'm right. I always want to look at something from another viewpoint. Tell me why I'm wrong, or show me that other angle, and then I'll decide if I'm right. That to me is a form of intellect. And the fact that you're in that position, you of all people be doing that. And the fact that you are already closed tells me you're being paid to be closed.

And you're getting paid to be closed so that you're not representing the people you're supposed to be representing and shame on you.

Tim: Absolutely. So I was going to ask you to, where does the issue go from here? But you said, the regulation best interest has now passed. So we know where it went. But now that it has passed, can you break down the regulation in a sense and what it means for investors, and why exactly it's not a great thing for them in particular?

Dina Isola: Sure. The whole term best interest is one that fiduciaries use, right? I have to put the best interest of my clients first. So they're co-opting that term, but they're not A, defining it, nor are they being held to those standards. So what it means to investors is it's less obvious who is truly working for you, and who really is representing your best interests. I think you have to be familiar with that term fiduciary and you have to say, are you a fiduciary? And will you put that in writing. Put it in writing. If you're a fiduciary, put it in writing. Because they'll talk around it. Trust me, I've seen that occurred to where it's a three page answer. Literally, I had a teacher once send her person that question. And I said, "Look, you should get yes or no." Because it's like being pregnant. You either are or you're not. And she's like, "Oh my gosh, I got back a reply and it was three pages long. All I kept thinking about is what you said yes or no?" I'm like, "Yeah, that would be a no, that would be a no."

Tim: Three pages means it's a no.

Dina Isola: Exactly. Exactly. The other thing is they're allowed to recommend product that is pricier over other products. Right? And everything just has to be disclosed. Well, good luck with that. So now you've got to go digging through disclosure. And by the way, you're going to get that disclosure after you've bought. Not before. Again, it's misleading in my opinion because it's trying to use terms that are identified with fiduciary and they're not being fiduciaries in this case. It's relegating things to disclosure, which you're never going to understand, and you're going to get it after the fact. And I think it just really blurs the line between a fiduciary and a salesperson. And that really shouldn't be.

If they're so proud of that business model, then just call yourself a salesperson. Quit the shenanigans, stop trying to act like you're something you're not.

Stop trying to insinuate your adviser or financial trusted partner and blah, blah, blah, when you're a sales guy. Right? And if that isn't what you want to think of yourself, then perhaps you should reevaluate your profession, and how you're doing it. Right?

Tim: Misleading is the perfect word for it. Now that it's passed, hopefully people that are fiduciaries and that are continuing to do the right work for their people will just continue to push out the education and the content to spread the word that investors, you need to dig through even more BS to find the good guys out there now.

Dina Isola: Right. And it's really a funny. Years ago, and I might put the blog back up. I wrote a blog about, it's going to seem, you're going to say, "Wow, this is irrelevant. Why is she talking about this?" But my father had this thing about leather. If you bought shoes and they were not leather, he'd say you got ripped off. Leathers the best. So I remember one time buying shoes, I came home and I got this really great price. I was like, "I got these nice shoes." And he's like, "Yeah, but are they leather?" And I'm like, "Yeah, they're leather." And he's like, "Where does it say that they're leather?" And I'm like, "They're leather, touch them." And he's like, "Where does it say it?" I'm hunting around, I can't find it. He's like, "Let me explain something to you. That is a selling point.

That is a distinguishing characteristic. That makes it more valuable. And they're not going to bury the fact that it's leather. You don't have to hunt to find that it's leather. It'll be stamped all over the box. It'll be very noticeable."

And it's the same thing with a fiduciary, right? So if you're a fiduciary, if you're fee only, if you're putting their best interests first, you're not going to hide that. That is a distinguishing characteristic. So don't assume that a professional is a fiduciary if they're not using that actual term. Because if they're not using that actual term, they're trying to dance around it, and they're basically ... they're like cheap pleather shoes trying to pose as calfskin Italian leather. And it's not.

Tim: That's perfectly said. I can't add anything to that. That's absolutely perfect. So I've got a couple more questions for you here, Dina, before we wrap up.

Dina Isola: Sure.

Tim: Over the span of your career as an advisor when you and Tony started your own firm to when you moved to Ritholtz, I'm sure you've learned a lot of lessons along the way. What would you say, in your opinion, has been the most important financial lesson that you've ever learned?

Dina Isola: That building wealth doesn't really require a lot of money. And I think most people wait to invest. They say, "I'm going to wait until I have some money," and that is just not the way this happens.

And I look to my parents who my father for 20 years, was in the military. For the first 20 years of their marriage was in the military earning nothing. My parents had seven children. So you don't have to be a financial genius to figure out that money wasn't plentiful.

But yet, he invested regularly and kept at it. And in doing so, did really well. Built really good wealth for him, for my mother. They both lived way, my father into his late eighties, my mother to 90 years of age. They did very well. And it wasn't because he was earning tons and tons of money. It was because he was really disciplined. And some of our best clients have the exact same mindset. They come from very regular beginnings. They may have had a little family business. They never in a million years thought they'd have what they have, but they kept at it. They just kept making sure they made their investing a priority, their plan a priority, and they stuck with it. They didn't bail, they didn't pull out, they didn't get emotional. They just kept funding it, and not looking at it, and working with somebody that they trusted who was doing right by them. And just kept plodding along. And that time and compounding, it's just so powerful. People don't understand just how powerful it is, but it really makes all the difference.

Tim: That's a great piece of advice because for me being a young person in my mid twenties, I hear that a lot from my friends and people that are just getting started in their career. "Well when I have money, then I'll start investing." And that's not necessarily the case. So I feel like that's a great lesson to share with the listeners out there too.

Dina Isola: Yeah. Do $50 dollars a month if you can't afford a lot, any amount.

Tim: Consistency and just having a game plan too will go a long way.

Dina Isola: Yup.

Tim: Whether it's a personal thing or professional, or it might bridge the gap between the two, what's one piece of advice that you've received over your lifetime that's always stuck with you?

Dina Isola: My parents had quite a big influence on me I think because I saw them work really well together and come through a lot of things, whether it was health related or whatnot. I'm going to borrow one from each of them if that's alright with you.

So my mother had this optimism that was always in place even when stuff was hitting the fan. Just this confidence that things were going to be all right. And even if they weren't the way she wanted them to be, that she was going to glean something out of it, some experience from it that was going to make it worthwhile in some way. Even if she had to suffer along the way. That has helped me tremendously personally and professionally where when you're finding it hard to stick with something or it just feels like the universe is conspiring against you, it's good to just-

Tim: Or congressmen don't want to listen to you.

Dina Isola: Yeah, exactly. Exactly. Where you just say whatever is going to be, is going to be. I can accept it and I'm going to take what I can from it because it's going to teach me something, even if I'm not appreciating the lesson right now in the moment.

And my father had one simple word that he used to say in Italian. He would say sincerità which means sincerity. And that meant when he would say that word, he'd mean that all he wanted from people around him was sincerity. And if he could be around people that were sincere with him, and if he could be sincere himself, that all was right with the world. And I feel like Tony and I have done that with teaming up with Ritholtz.

We found people that we sincerely admire and appreciate working with, and have learned a lot from. We only work with clients that we sincerely enjoy working with. It just makes your life so much easier when everything you're doing is sincere and people know that you're being sincere. It just makes for a better ride, for lack of a better word.

There's enough energy that you have to put into life, and I don't have the energy to put it into being insincere, or trying to pretend that I'm something I'm not, or what have you.

So to me, to be sincere and to only be with sincere people takes a really heavy burden off my shoulders. Because then I could just focus on the work, and the work is enough.

You know what I'm saying? That takes enough of my energy. I don't need to be tap dancing too.

Tim: Right. Yeah. That's very well said. And I'd have to agree with both of those pieces of advice. And those are very good pieces of advice to end on. Dina, that was all the questions that I had for you. Thank you again for coming on the podcast. I really appreciate it.

Dina Isola: It was my pleasure. This was a really fun interview. So thank you so much for having me.

Tim: So for the listeners out there, I'm going to link in the show notes to everything that we talked about. The different videos that Dina was on, her testimony for the US House of Representatives, everything that we talked about here in the episode. So thanks for tuning in to this episode of Living With Money. And we'll see you on the next one.