Ben Johnson - Morningstar - Transcript

Tim Mullooly: Welcome back to Living With Money. This is Tim Mullooly. On today's episode, I'm joined by Ben Johnson. Ben is the director of global ETF research at Morningstar. First, Ben, let's start with a brief background about you personally. I always like to ask the guests when did you first become interested in money and finance and what was your relationship like with money growing up?

Ben Johnson: I had to think long and hard about that one. It was going back through the dusty archives in my wetware to try to remember what my first money memory was, and what I came up with was a scene going back to, God, I must've been four years old at the time and had spent the weekend at my dad's parent's place, my grandparents' place, and did any number of different chores around the house for my grandfather, to help him out. In exchange for all my hard work, he gave me an old sock filled with spare change. The second he handed that, what to me was like a just giant pile of money, over to me, I was just elated. I remember running back home and finding my dad in the basement of our house and saying hey, dad, you don't have to go to work tomorrow. We're rich. Grandpa just gave me this big pile of money.

That was my earliest money memory. What did I think of it at the time? Obviously, there was a positive memory associated with that, but everybody has to start somewhere and you learn from there. You begin to grow in terms of your understanding. Your relationship evolves over time.

I am glad I remembered that because I'm at the stage now, being a father of two young girls, where I'm trying to create those early memories and those early learning experiences for them. It was a number of months ago I went with our oldest to the bank to open up her first bank account. As we were walking back from the bank, she was asking me all of these questions she was really concerned about. What is the bank going to do with my money? It evolved into me trying to explain fractional reserve banking to my seven year old. And she kind of got it, because she's far more evolved and much more intelligent than her old man. But it's as much, I think, about making those memories and beginning that journey, I think, for others as it is waxing nostalgic about your own early money memories.

I, not unlike everybody else, my relationship with money, my understanding of how money works has continued to evolve over time. I think everybody inevitably goes through a life cycle. You start your own journey and begin planting the seeds with others, be it your offspring, be it in my capacity in a research role here at Morningstar, helping other people at various stages in their own journeys try to better understand and better improve their odds of succeeding in their own relationships with money.

Tim Mullooly: Would you say that those experiences as a kid growing up, learning about money in any way influenced your decision to start working in finance and choose that as a career?

Ben Johnson: Yeah, I would say it influenced me to an extent. I didn't finally understand that I wanted to get into the world of finance and investing until I figured out those things I frankly didn't want to do. For a long period of time growing up, my grandfather, the one who gave me that old sock filled with change, was an architect. My dad worked in design, doing retail design.

So I assumed, having grown up in a house that had a big drafting board in the basement and seeing blueprints and drafting pens that I was just going to inevitably follow suit, was very into architecture. When I first got into school, I went to the University of Illinois. It's got a great architecture program.

Spent my first year trying to become the next Frank Lloyd Wright. After breaking my fourth or fifth $40 drafting pen at 3:00 AM, trying to hand draw my own unique answer to Frank Lloyd Wright's Fallingwater, realized it's okay to appreciate architecture without having to go full boar and become a fully licensed architect.

I was actually taking an economics course at that point in time, which refreshed my fascination with all things related to money, to finance, to economics. Ultimately transferred to the University of Wisconsin, pursued a degree in economics there.

Followed that ultimately into the field of finance and investing, getting my first taste of the industry serving as an intern with a broker advisor at Morgan Stanley who grew up through those ranks, having been formerly at the front lines of the stocks and socks era, being positioned in a kiosk at a local Sears store in the Chicago suburbs. Got an interesting introduction to this space as an intern there, and then ultimately finding my way into the ranks of their advisors a few years out of school, back at what was then Morgan Stanley Dean Witter.

Tim Mullooly: What was your career journey like up until landing with Morningstar? And can you just tell us a little bit about what you do on a daily basis now in your role with Morningstar?

Ben Johnson: It was kind of a roundabout path, from architect to hey, I don't want to be an architect. I can like architecture. I'm interested in finance and investing. Interning at Morgan Stanley, I got the bug and I thought hey, when I come out of school I want to be an advisor. The advisor that I worked for said that's great, I appreciate that you're eager. But you're going to enter a wood chipper. At that point in time, I was leaving school and 2004, it was still very much a sales oriented job. There were still a lot of dialing for dollars going on. His advice to me was cut your teeth in a sales role first. See if you like it. See if you've got a taste for it. See if you can just survive it. Once you get that training, once you get that experience under your belt, come back to me.

So, straight out of school, I actually got a job slinging IT hardware, software, printers, toners, custom server deployments, you name it, with a local firm here called CDW, which was a fantastic experience because it was a great training program. It was a great company. I worked with a lot of great people and learned a lot in very short order, and a lot more about what I didn't like doing, which was, honestly, sales. Why I decided to head first into Morgan Stanley subsequently is anybody's guess, but it got me to where I am today, which is in a role that I love, which is, as I had to describe it recently to my children, because they have no clue what I do, the see me in front of a laptop every day, which means nothing to them, I said part of what I do is what I learn and the other part of what I do is I teach.

We're out there doing research on a segment of the industry with the objective of trying to distill massive amounts of information about investing, speaking in broad brush strokes, to index investing, to ETFs, to factors, you name it and trying to distill all of that information down into research and analysis that means something to the end investor.

And not just the savvy end investor, but end investors of all strikes, at all stages of their journey, which is something that I ultimately find really energizing. This is an organization in Morningstar that is very much investor centric. It is very much mission driven, which is something I'm personally very passionate about, which is why I'm still here now, 13 years into my career.

Tim Mullooly: I asked Jeff Ptak, your coworker, this same question, so I wanted to pose it to you as well. What is your absolute favorite piece of research that Morningstar puts out and why? There are so many different reports and so many different pieces of research it might be a tough question, but if you had to pick a favorite, what would you say?

Ben Johnson: That's such a tough question. It's like asking me which of my children is my favorite. I guess it depends on the day and how each of them are behaving, but it's really, I would say, if you think about it at its core, what we've done from day one is bring order to chaos. If you're going to talk about a body of research, and using research is defined in the broadest terms, as we define it internally, I think it's everything we do to lay the foundation for all of the work that we do, which is at the core our data set. If you hearken back to now 35 plus years ago, when we first set out to bring order to all of this chaos, we had a group of people that were gathered in our founder and CEO's apartment up the street here in Chicago that were cold calling mutual fund companies, basically surveying them. Filling out index cards. At the end of the day, they would go back to that stack of index cards and input that data into a computer database, and then ultimately print that out in what was our original product, which was the Morningstar Mutual Fund Binder.

I think to this day everything that we do, which now is obviously nearly four decades hence, much more modern, much more efficient. Far more expansive. It's really that data set. If we did not have that, we would have nothing. My team can't do its job assigning Morningstar analyst ratings to individual funds, putting out pieces like our Active/Passive Barometer, our Global Investor Experience, you name it, without that data set. So, if I had to choose one thing, it's really taking a more liberal definition of what we might define as research and saying without that foundation none of the other great work that our team does around the world would be possible.

Tim Mullooly: I know Morningstar puts out so much research and so many different reports already, but I wanted to ask, are there any areas or any reports that Morningstar doesn't currently offer that you would like to see you guys dive into and maybe start putting out a new report on this area or this piece of research in the future?

Ben Johnson: Yeah, one area where we've actually spent a lot of time, but I think we're going to spend more time in the not too distant future, is helping investors try to decipher and become more conversant in the language of factors. If you think about, as I mentioned before, bringing order to chaos, one of the key developments in that regard in the funds space was the development of the Morningstar Style Box, which put managers applying like strategies into like categories. That was a hugely important step, which ex-post is easy to miss just how meaningful that was. We've been, for quite some time, spending a lot of time doing research on what we call strategic data, what others call smart data. At the end of the day, it's different flavors of the factor investing.

What we've got in the works right now, something that I've been working very closely with colleagues from our data and our quantitative research groups on, is something we're going to be calling the Morningstar Factor Profile. This is going to be something that will serve as a compliment to the Morningstar Style Box that will help investors in much the same manner that the Style Box has for years.

Understand the different exposures, the different tendencies of managers and the strategies that they're investing in in managed funds. Be those active funds, be they passive funds, or something that lies somewhere in between on that active to passive continuum. That's an area where for a number of years we've said this is a real opportunity for us to step in as the independent arbiter and deliver something to the end investor that they can interpret fairly readily and make use of in better understanding the funds that they're investing in. That's something we're going to be rolling out later this year that personally I'm very excited about and I think is going to be received well. It certainly has been received well thus far by the advisors and the individuals that we've been vetting it with.

Tim Mullooly: We've seen recently in the news a couple firms, notably Charles Schwab, TD Ameritrade, make the move that commission free trading on their platforms. I wanted to ask what your two cents are on this development. In your opinion, what do you think are the biggest pros? And if there are any cons to a move like commission free trading, what would those be?

Ben Johnson: As far as pros are concerned, it's difficult to argue that any penny that stays in an investor's pocket and isn't passed over to someone besides that investor is a penny saved. It's a penny that will continue to compound down the road between them and their long term goal, so that's a penny worth fighting for. But we've gone from fighting for dollars and tens of dollars, commissions once upon a time were many multiples of even the five dollars that they were just weeks ago, to talking about pennies. So, the incremental gains to the end investor are smaller and smaller with time. More money in your pocket is a good thing. It's not a lot more, but we'll take what we can get. My biggest concern as it pertains not just to commission free trading or zero fee funds, or funds that, at least on an initial introductory offer, will effectively pay you to invest in them, is that the cost of investing is becoming less and less explicit, less and less transparent, and it's beginning to kind of creep into the dark. It's increasingly becoming measured in opportunity cost. I think the one example that's captured a lot of attention, and indeed subsequently crept into the marketing efforts of many of the large brokers, is the opportunity cost of earning below average yields on your cash balance, as an example.

If I'm earning 30 bits on a $10,000 cash balance when I could be earning more than two percentage points, that's many multiples, given a long enough time frame, of any amount of trading activity that I might've been doing. There are other example, like payment for order flow, which may or may not result in poorer execution on behalf of the investor of their trades than if that order flow were to be just executed internally by some of these firms. Ultimately, are we splitting hairs? We may very well be. We've certainly come a very long way from the days of long ago in pre-deregulation of commissions, pre-decimalization, you name it, but I think investors would be wise to be on their toes. To understand how their business with any given firm is being monetized.

To really place a high level of value on transparency around the economic relationship that they're entering. A level of candor from the other end of that transaction. Why it is they're doing what they're doing and how those economic models are evolving. To look for alignment between the partner that you're doing business with and your own end objectives. Ultimately, if they're creating value for them, I believe it's their right to capture value. It's just, what is the appropriate balance, I think, remains the biggest question.

Tim Mullooly: Do you think that the move to commission free trading is at all going to affect the frequency or the behavior of investors, now that they can trade for practically nothing?

Ben Johnson: I personally don't think this is going to affect investor behavior. I often quote Taylor Swift, or paraphrase, rather, Taylor Swift in answering this questions. Trader is going to trade is what it boils down to. What you see is that people who are inclined to trade were trading when they were paying $4.95 in either direction. They're going to continue trading if they're not paying anything to trade. And people who weren't trading before I doubt are going to wake up one morning as day traders all of a sudden and begin trading their portfolios just because they no longer have to pay $5 to do so. I think trading behavior springs forth from certain personality traits. It's not as though Charles Schwab, Fidelity, TD going commission free is going to change people's personalities.

Tim Mullooly: Before we dive into some of your other views on ETFs and the market, I wanted to talk about an article that you had published, outlining your own personal dos and don'ts of investing a few months back. For the listeners, can you just share what are maybe one or two of your biggest dos and one or two of your biggest don'ts in terms of your own personal investing that you could share with us?

Ben Johnson: I think one of my biggest dos is really just to keep a focus on costs, both explicit and implicit. I think just it's a fundamental principle of investing that is somewhat counter-intuitive to people that, to channel Jack Bogle, that the less you pay, the more you get, or you get what you don't pay for, when it comes to investing. That doesn't always apply in other markets. Think about going out to buy a car. You pay $25,000, you're not going to get a Mercedes S-Class, you're going to get a Honda Civic. That relationship turns topsy-turvy when you look at investing. So, it's counter-intuitive. So, if there's a big do, it's focus on costs, explicit, increasingly implicit. To keep a focus on tax costs as well, if you're investing in a taxable setting.

If there's a don't, one of, I think, my biggest don'ts is don't look. It's exceedingly difficult to tune out because there's just so much noise around us on a day to day basis that's being delivered everywhere from a screen and in an elevator to a super computer that you've got in your pocket that you're walking around town with. You name it, you're constantly being sent signals that you should be doing something about something. I don't know who to attribute this particular quote to, I heard it actually via my colleague Christine Benz a number of months back, but your portfolio is kind of like a bar of soap. The more you handle it, the less you have. A hands off approach is often the best approach for most investors, which is difficult because it's an area where, again, flips common notions of effort versus results on its head. In most endeavors, the more effort you put into something, the more you're going to get out of it. Investing is another case where that relationship is often inverted.

Tim Mullooly: While we were at Wealth Stack Conference down in Arizona a handful of weeks ago, you were on a panel that talked about ETFs. You guys got into a discussion about different types of fixed income ETFs and you made a really good point, while everyone was discussing the different types of ETFs and different types of fixed income, you made a really good point to remind people about the real purpose of fixed income within a portfolio. I just wanted to ask if you could outline your views on how investors should view the fixed income sleeve of their portfolio.

Ben Johnson: I think it's important to start from just the point of view of basic principles of asset allocation in diversifying your exposure across multiple asset classes. When you invest in equities, you're taking on your equity risk and there are certain fundamental economic risks that are embedded there, in growth, inflation, you name it.

You invest in bonds first and foremost because they're not stocks, because they are fundamentally different securities. You're higher up in the pecking order in firms' capital structures. They have a finite life. They pay out regular coupon payments. There's an element of default risk there yes, but if you take on less credit risk that becomes effectively a residual, especially if you're talking about governments, 30s, something of the sort. You should first and foremost think of bonds as being ballast in your portfolio.

Of diversifying that equity risk. Of providing you with, in periods where there are drawdowns in the equity market, some dry powder to reinvest back into equities when their prices become fundamentally more attractive. I think it's easy to lose sight of this. I mean, if it sounds overly simplistic, it's because it is. But it's also because I think oftentimes investors lose sight of this very basic principle.

Again, their inclination is to look for alpha in every nook and cranny in the market, under every rock that they can turn over. Certainly there are opportunities to generate alpha versus owning just a broad based diversified, say, ag tracking ETF or index mutual fund, but it's also important to keep in mind that the further afield you go in fixed income markets, the more likely it is that you're exposing yourself to other forms of risk that look a lot like equity risk. So, you're doing so at the expense of some of the attractive diversification properties of investing in core, very stable, very high quality bonds.

Tim Mullooly: There's been talk over the last handful of months with companies rolling out the idea of less transparent ETF. I feel like one of the big advantages to ETFs was the fact that they were more transparent than mutual funds or other investments. In your opinion, what do you think less transparent ETFs would do to the ETF space? Do you think it would end up being more of a positive or a negative experience for the ETF industry?

Ben Johnson: I view less transparent ETFs as a solution in search of a problem. Frankly, it's a problem that investors don't really face. It's more of an asset management problem. Asset managers are concerned about disclosing their portfolio holdings on a daily basis. They don't want to be the player at the poker table that has to show their hand to all their tablemates, thinking that it would put them at a disadvantage. What I would argue against that is, first and foremost, this is not poker. If you think people are really eager to have a peek at your portfolio and front run you or just mimic your every move outright, in all likelihood most active managers are probably flattering themselves.

There aren't all of these parties out there lurking in the shadows, looking to do exactly that. Most of the promise, most of the potential of the ETF wrapper, just as a means of delivering an investment strategy to the end investor, because that's all it is, it's just a wrapper. It's a package. It is agnostic as to whether the strategy it delivers is active, passive, or in between. All the benefits of that wrapper are present if not potentially greater, in what we've got today, which is fully transparent, actively managed ETFs. Which still account for a tiny fraction of overall ETF assets, and I think probably will remain in the minority for the foreseeable future.

What do you get with the package? You get lower costs, because all you're incurring as an investor typically is just the manufacturing cost. It's the management fee. You're not getting all of these other things along for the ride, like 12b-1 fees, so the marketing fees, subtransfer agent fees, so the fees that spring forth from record keeping, are relatively less in ETF than mutual funds. Especially now, after the enactment of the new SEC ETF rule, what you'll see is a much better tax profile from actively managed ETFs relative to actively managed mutual funds. So, all of those benefits that I care about as an end investor, I've already got that in fully transparent active. Now, when I move into the less transparent, of which there are only two options available today, NextShares, which has effectively been proven to be kind of a dud, given limited distribution, a unique trading mechanism, just a lack of compelling options that were ever delivered through that, I would say the days of that format are numbered, and more recently now, active shares, which was granted SEC approval.

What you get there is some of the same benefits, in terms of the cost benefit. The tax efficiency actually would be relatively less now that the SEC ETF rule has been enacted, so you don't have the same flexibility when it comes to creations and redemptions, bringing securities into and out of the portfolio for active shares as you do fully transparent active. You also have a narrower investment opportunity set as a manager. Active shares have to trade securities, own securities that trade in sync with the fund itself. That limits it to investing in US stocks, ADRs, GDRs, treasuries, and ETFs.

So you don't have the full palette, if you will, that you would in other formats if you're the manager of that fund. Again, to get back to my key point, I think this is a solution that's in search of a problem. It's mostly asset managers' problem. I think most investors, if looking at just the core of the format, the chassis, are perfectly well served by fully transparent active, which has been around since 2008.

Tim Mullooly: We all know that there are plenty of risks in the market, so many different types of risks out there, coming from all different directions. When it comes to constructing our portfolio, for an investor, and their behavior thereafter once you've constructed the portfolio, I just wanted to ask what you think some of the risks are that investors can actually manage. Some that are within their control. And are there any types of risks out there that can actually work in the investor's favor if they manage it correctly?

Ben Johnson: Well, I think that risks with the capital are inevitably, over a long enough period of time, is going to work in investor's favor. Ultimately, we don't have any choice but to accept some level of risk if we're ever going to stand any chance of meeting our long term goals. Stashing cash under a mattress, unless you've got piles and piles of cash, isn't a realistic option for the vast majority of investors. So there's fundamental risks that we have to expose ourselves to, some of them I mentioned earlier. Growth, inflation. These macro fundamentals that have driven things up and to the right for as long as any of us have been alive. To get exposure to those risks has never been easier, it's never been less costly than it is today. You've got Easy Buttons all around you in the form of ETFs, tracking, broadly diversified, market cap weighted indexes that are available at a very low cost, if at really any real explicit cost at all. To be able to manage your risk, I think first and foremost, if you've invested in one of these funds it's probably diversified, you've managed idiosyncratic risks, the risks specific to any one stock, any one bond, by virtue of owning thousands of them. So, you can tick that box.

From there, it becomes more of getting comfortable with your own risk appetite. Understanding what's the appropriate mix between these different exposures to equities from various corners of the market. To various corners of the bond market as well. What's left after that I think is one of the biggest risks of all, which is the one that you see in the mirror every morning when you're brushing your teeth. It's you and the risk of doing something silly with your portfolio. Again, the analogy I used before, a portfolio being kind of like a bar of soap. The more you handle it, the less you're probably going to have. If you just get out of your own way and let the market do most of the heavy lifting, which again you really have no other option, other than to continue to save and to invest, to further move the needle. I think it's really just about understanding how you can control that risk that's brushing its teeth in the morning above all else, which is probably the most difficult one to control, just given how much progress has been made in being able to manage and diversify away most of the other ones that we face in financial markets.

Tim Mullooly: Over the last handful of years, we've seen a lot of fee compression within the ETF space and also just the investment space in general. Realistically, how low can these expense ratios go and do you think there are any negatives that could potentially come about from having such low expense ratios on some of these ETFs and other investments?

Ben Johnson: Yeah, I think fees can go lower. They've gone awfully low, and in some cases, at least nominally, to zero. Again, in many cases, we're splitting hairs because there are plenty of funds out there that charge a nominal fee that earn that fee back already by way of just savvy portfolio management, securities lending, you name it, that in effect are no fee because they provide spot on tracking of their underlying index. I think the risk here is that investors become so obsessed with fees that they're risking being a penny wise is, in multiple bounds, foolish. Especially as you see fee compressions spread to other corners of the market, so further from broad based market cap weighted indexes, that in many cases are substantially identical, into areas like income equity strategies, so dividend ETFs into value ETFs, some of the different factor exposures, what matters far more in those cases isn't one or two basis points worth of fees savings, but understanding the make up of that underlying index, which is for all intents and purposes an active strategy.

You could line up a half dozen value ETFs and maybe the fee spread between those six ETFs is five basis points, but over five or ten years they'll deliver total returns that the spread on those returns might be measured in hundreds of basis points. I think the penny wise multiple pounds foolish risk is the biggest one that I'm concerned with as it pertains to everything going on in the ETF space that we've seen in recent years, that's squeezed out what little fees were left in many corners of the market.

Tim Mullooly: It seems like the popular thing to do today for people in the industry is to call things "a bubble." What are your thoughts on calling things bubbles and the "passive indexing bubble" that we've been hearing some writers and other people in the industry talk about? Do you think that that's real? What do you make of all these bubbles?

Ben Johnson: The term bubble is one of these words that I think has been thrown around so much as to have almost lost any meaning. Other words that come to mind would include disruption or contrarian. Everything is a bubble these days. I would argue that the growth of passive, the growth of indexing, is far from being a bubble. It's just a means of investing. It's a means of gaining exposure to the market. Not unlike anything else. As active management has grown in prominence and become professionalized over the decades, at no point did anyone say that active management was in a bubble.

Active management, again, just being a means of investing in securities, being a means of different investors accessing the markets. What we've seen is tremendous growth. Growth in the popularity of indexing as an approach to investing one's hard earned savings and growth that's come off a very low base, effectively zero, going back now four decades. And experiencing a pretty steep leg up following the financial crisis. There are a number of factors that underpin that, but it's a far cry from being a bubble.

Furthermore, it is something that is, by definition in most cases, very broadly diversified. Something that gives you full spectrum market exposure. It's something that also, when you go to invest via these means, doesn't have any real sort of informational content embedded in it.

You just want the market, minus as little expense as is possible. You're not expressing, necessarily, an active view on any particular security or group of securities. I think where I might be concerned is if ETFs at the margin and index portfolios at the margin were driving a disproportionately large amount of trading activity, which is ultimately where price discovery happens. By every measure, in virtually every corner of the market, what you see is that index portfolios today account for a very tiny fraction of actual primary market trading activity. So I think we're a very long ways off from any sort of tail wagging dog type scenario. Even then, I would be hesitant to call it a bubble. At that point of time, it would be something fundamentally different that would have fundamentally altered the shape of markets and how markets operate. But honestly, I don't think that point will ever come. I think there will always be an appetite for active management, for active security selection. I think the market being a market has kind of a built in safety mechanism that doesn't get its due. Do we overshoot in any one given direction? Absolutely. But markets have tended to be, at least historically, self healing.

Tim Mullooly: I wanted to ask, since you've joined the industry, what would you say has been the best improvement? Either if it's a product or a service or fees, or something going on in the industry since you've joined that has been the best overall improvement to the industry.

Ben Johnson: I'm going to sound like a broken record here. I mean, I have to give what we've seen in terms of fee compression, the compression of just the cost of investing more broadly its due, but I've given it its due. What I would add to that, I would say, is just the lowering of the barriers to entry. Sort of the democratization of investing to the point that people with very tiny amounts of money now can access the markets, can invest in a diversified portfolio with spare change, with a handful of dollars, and get a very suitable, very broadly diversified portfolio at a very low cost, that ultimately will grow with time. Will allow them to enjoy the benefits of compounding between today and whenever it is that they need that money further down the road. The democratization, the leveling of the playing field more broadly for investors of all stripes, and especially younger investors, newer investors, those that have fewer dollars to put to work in the markets, I think is something that everyone can celebrate.

Tim Mullooly: On the other hand now, in your opinion, what still needs to be improved within the industry over the coming years?

Ben Johnson: I think there needs to be greater transparency, just around the all in cost of investing. Especially as more of those costs creep into the dark, become increasingly implicit. Part of that is incumbent upon us, frankly, firms like Morningstar, to help investors better understand what the real economics of investing are as they shift away from being transparent and explicit and take new forms. I think more transparency around the cost of advice, honestly, is something that we've been advocating for. My colleague Christine Benz has done a tremendous amount of work, either interviewing advisors, just keeping the discourse going around different economic models, and pushing the onus and equipping more end investors who engage with advisors with the tools to be able to ask the tough questions and better understand whether or not they're getting value for the money that they're spending from advisors. I think advisors will continue to be relevant. May become even more relevant over the years. But I think it's also going to become increasingly important for them to be transparent, be candid, and show alignment with their end clients. In the same light I described it's important for large discount brokers to do so as well. I think those that do, that fall in line, I think will continue to grow and thrive and those that don't will hang on for a while, just by virtue of sheer inertia, but ultimately be rendered irrelevant.

Tim Mullooly: Whether it's a personal thing or professional thing that you've learned throughout your career, what would you say is the best piece of advice that someone has ever given you?

Ben Johnson: Some of my best learnings have not been in the positive but in the negative. Learning how not to do things, either from my own mistakes or learning from the mistakes of others. I can't say there's any one phenomenal piece of advice I've ever received. I feel like much of my learning, be it personally, be it professionally, has been almost via osmosis. Certainly there have been positive influences, positive role models that I've been fortunate to be surrounded by, be it members of my family, be it colleagues in a professional setting, over the years, but there's also been counter examples. I kind of chuckle because there's people around where you go I didn't enjoy working with that person or I didn't like the way that person made me feel. I think it's important to be cognizant of the fact that you're sending signals out to the world all the time.

Actually, if there is one piece of advice I could point to, is actually from a former boss, still to this day a colleague here at Morningstar, that told me exactly that. That the way you carry yourself, the way you conduct yourself sends a signal out to the world.

Whether you're leaving a team, whether you're presenting to an audience, whether you're engaging with an end client, you're going to send out that sense, you're going to send out that signal and it's important to be cognizant of that. You're going to have good days and bad, but irrespective of good day/bad day, high day/low day, just to be self-aware of the signal you're sending to those around you and how it affects them. That was one, I guess, discreet piece of advice I received that I very much internalized. To somebody who would leave the team, who has to create spheres of influence around a very large organization, something that's proven helpful. I can't say I always execute on it flawlessly, but at least I'm self-aware about it.

Tim Mullooly: Last bonus question here for you. They're currently 3-3 as we're recording this. What record do you think the Chicago Bears finish the season with? I know they have the Chargers coming up on Sunday. How do you think the rest of the year shakes out for them?

Ben Johnson: I don't think there's any area where all of my various behavioral biases are more on display than when it comes to Chicago Bears football. Asking me today, after a devastating loss to the Saints, where we just looked like a Pop Warner team, recency bias would lead me to say 3-13. I know it's not that bad, and I'm aware of my recency bias, so I might edge a little further away and say 6-10. But then I'd probably just be anchoring to my 3-13, so there goes another bias. My final answer would be 8-8, but that's kind of just the regret minimization approach. The all important caveat here is that earlier this year while I was accompanying my wife to a conference she was at for work in Las Vegas, I put down a bet that the Bears were actually going to win the Super Bowl, which was a combination of anchoring, overconfidence, and illusion of control. I'm just a big bundle of Bears related biases, so let's go with 8-8.

Tim Mullooly: Ben, that was all the questions I had for you today. Thanks so much for coming on the podcast. I really appreciate you taking the time.

Ben Johnson: Thanks for having me on. I had fun.

Tim Mullooly: For the listeners out there, I will be sure to link in the show notes on livingwithmoney.com to all the different articles and work that we talked about that Ben has put out here in this episode. Thanks for tuning in to this episode of Living With Money, and we'll see you on the next one.