

EPISODE 862**[INTRODUCTION]**

[0:00:00.0] ANNOUNCER Welcome to the Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.4] WS: This is your daily Real Estate Syndication Show. I'm your host Whitney Sewell. Today, our guest is Nick McCullum. Thanks for being on the show Nick.

[0:00:32.6] NM: Thanks Whitney for having me, it's a pleasure to be here.

[0:00:34.9] WS: Nick is a software developer and real estate investor based in New Brunswick Canada. He helps run Passiv which is a portfolio management software that allows self-directed investors to easily manage a portfolio of stocks and ETF's. In this episode he'll explain how Passiv works and why it might be beneficial to investors with most of their net worth in real estate.

It was interesting, Nick and I were talking before the show and we're talking about the software platform, looking forward to learning more about this — but many of the Passiv investors that are listening right now — you've probably looked for something like this or wished you had had something like this in the past to help you to manage your portfolio that's not in real estate as well because most of you are going to be somewhat diversified or if you're not, maybe you should consider it but Nick, welcome to the show, give us a little more about maybe your background and then let's dive into what Passiv is and how it can benefit the investor that's listening?

[0:01:32.0] NM: Well, thanks Whitney again for having me. I guess, I've worked in professional investment management my entire career. In college, I kind of started off as a biology major, thinking I might want to be a medical doctor or something of that nature and then quickly realized that wasn't for me, switched into a degree in math and it just so happens that a lot of the good internships for math majors are in finance and technology.

I ended up working at one of the larger mutual fund providers here in Canada. Kind of fell in love with investing and then kind of worked in fundamental equity research after that. We are doing really deep dives on individual companies, trying to figure out the sources of their competitive advantage and what their future growth prospects were.

Yeah, that was kind of my journey from I guess, biology to math to quantitative finance and investment research and then kind of as I was on that journey, I realized that this active, really concentrated investment style is really not for everyone in that Passiv investing is actually probably a much better suited strategy for the vast majority of people.

That kind of brings us to, today. I joined the team at Passiv in 2019 and we build a software tool that makes it very easy to implement a Passiv investing strategy that allows you to own stocks and bonds of ETF and get broad exposure to the market without having to spend a bunch of time managing your portfolio.

[0:02:47.7] WS: Nice, well yeah, let's dive into Passiv though, maybe you can speak to who your – the top client is you know, are the majority of your clients are and maybe who they are a little bit and dive into how some details about how the software can help us.

[0:03:04.0] NM: The people who use Passiv, I would say, tend to be busy professionals or busy white-collar employees who want to invest money but don't want to spend a bunch of time managing their portfolios.

In terms of understanding exactly what Passiv does, I think the best place to start is by trying to understand, I guess, the problem that we're trying to solve. If you think about the average investor, they have some sense of what investments they like to own in some sense of the proportions of what each investments should be allocated to and then they just want to stay as

close as possible to that allocation over time. To solve this problem, a lot of investors use spreadsheets or other types of calculators that tell them what they need to buy or sell with new money to stay close to that target.

Now, that's one solution to the problem but the difficulty that comes with using spreadsheets is that it's pretty labor intensive, you have to do lots of manual calculations and you know, when you use spreadsheets to manage your portfolio, you still have to actually enter in all of via the trades to your brokerage manually.

It might tell you that you need to buy five shares of one fund and five shares of another fund but you still have to go to your broker and put those in one by one and it's all very labor intensive. To solve that problem, we built Passiv. Passiv does all of this for you so the way that Passiv works is Passiv pairs directly to your brokerage account and allows you to set a target portfolio.

After you specified your target portfolio, Passiv compares your target portfolio to what's actually in your account and does all of the complicated calculations required to tell you what you need to buy or sell.

After it presents you those trades, you can actually rebalance your portfolio with one click. We send the trades off your broker, they get executed, they send us back confirmations and just with one click that you're able to rebalance your portfolio to get as close as possible to your target allocation.

Once all of that's done, Passiv will actually monitor your account over time so that whenever your actual portfolio drifts from your target portfolio, we will send you an email that prompts you to log in and rebalance with one click.

That's I guess, the core feature set of Passiv, we also have lots of other advanced features as well that I'm happy to dive into if that's interesting for you.

[0:05:05.6] WS: Sure, what is it comparing it to again? It's taking our current accounts because it's connected to in our current brokerage accounts and then what's it comparing to, to ensure we're getting the best return possible?

[0:05:17.4] NM: Yeah, it compares to a target portfolio that the user actually specifies. An example might help. Let's just say that you have – you want to be invested 50% in Apple stock and 50% in Tesla stock. Passiv would do all the legwork upfront, invest you in both of those 50/50 allocation from the get-go.

We would sell whatever else is in your account and then put 50% of your portfolio in Apple and 50% in Tesla. Then over time, because of the different performances of those stocks, one of them would naturally not be 50. Let's say Tesla goes up a lot and Apple goes down a bit.

You might go from 50/50 to 70/30. Well, Passiv would then send you an email that prompts you to log in and sell some of the 70% to buy some of the 30% and get you back to that 50/50 allocation that you specified you want to invest in.

[0:06:03.5] WS: Okay, well go ahead. You had mentioned like some more advanced features, what are a few of those that are, I guess, most advantageous to the listener?

[0:06:13.1] NM: One of our most powerful features I think is the ability to have multiple brokerage connections so if you're an investor who has some of your investable assets at one brokerage firm, let's say TD and Maritrade but then, some of your other investible assets are at another brokerage firm, let's say, interactive brokers.

Passiv wouldn't allow you to connect to both of those brokerages and manage both portfolios from one seamless integrated dashboard. That's powerful, we also have advanced currency handling so if you have different things that you want to do on the currency side of things, Passiv can help you with that.

We have dollar cost averaging capabilities so let's say you want to transfer a lump sum of money for real estate to stocks, bonds and ETF's. Passiv would allow you to say, deposit a hundred thousand dollars into your brokerage account and then, invest \$2,000 every month for 50 months or something.

Whatever frequency that you want to kind of spread that investment over, Passiv has dollar cost averaging capabilities to help you do that. We call that our cash management rules and there's kind of two ways that they work, you can retain at least –

If you want to retain a certain amount of cash in your account, Passiv would allow you to retain at least, let's say \$5,000 or you can allocate at most and what that means is basically, you put a cap on how much money you want to be invested into investments, every time you rebalance using the Passiv platform.

Those are some of our main kind of advanced features and I'd say, our users get a lot of benefit on those but the core feature is the one click trade capability.

[0:07:36.8] WS: What about just the cost of the software?

[0:07:39.4] NM: We wanted our pricing to be really simple and really easy for everybody to understand so Passiv has two pricing tiers, the first tier is free and that kind of gives you access to a lot of read only capabilities. You can still connect to your brokerage accounts, see all your holdings, compare them to your target portfolio and Passiv will still calculate all of the trades that you need to make.

We don't offer that one click trade capability or any of the other advanced features that I mentioned. That's the free version of Passiv, we call that Passiv community, the paid version of Passiv is what we call the Passiv Elite and that's – our paid version, it's \$99 US dollars a year, paid with your credit card.

None of the fees for our investing software comes out of your investing account or anything like that. It's just \$99 a year, paid with your credit card and that gives you access to everything that Passiv platform has to offer.

[0:08:23.0] WS: Okay, what about either – is it available now or do you look in the future of the possibility of even putting real estate investments in the software?

[0:08:32.4] NM: We're working really hard to build a really amazing reporting dashboard within Passiv that allows you to see the performance of your investments over time. Now, one key component there for someone who owns real estate is the ability to add manual entry assets.

Something like real estate and add in your mortgage values and those sorts of things which would allow you to track your net worth over time and not just include publicly traded assets like stocks and bonds and ETF's. We are working on that potentially as a feature for the future but at this time, it's not offered, no.

[0:08:59.0] WS: Sure. No, that's just great to know though. I think a lot of the listeners are obviously going to be investing into real estate and that's a lot of their goals but I mean, currently, a lot of them, if not most of them already have investments that this would work with but obviously, they're striving to invest in real estate long term as well —

And to be diversified probably across both avenues and so, it's great to hear you're working on that and that's a potential option to put on there. I can see too, like a lot of us are using very high end, like investor portals now that do track the returns for the investors and maybe there's a potential for even linking that to something like Passiv in the future that would help automate that to some extent.

No, that's interesting, anything else about a Passiv specifically that it's just any user needs to know to just ensure they understand how to use a platform and why it would work best for them?

[0:09:58.4] NM: Yeah, I mean, just to provide more examples, I think — examples are really helpful and understanding exactly how Passiv works. I can kind of take you from like the most simple use case to the most complex use case and describe how different people are using our software to manage their investment portfolios.

At the most simple end of the spectrum, we have some investors who just use Passiv to invest in one investment fund. They want to own a balanced diversified ETF and the reason they use Passiv is because we'll notify them whenever cash hits their account, so that they can log in and make sure that that cash isn't sitting idle — but instead it's getting invested into investment

funds right away and it starts earning them a return without wasting any time. That is kind of like the most basic used case.

In the middle we have many investors who use Passiv because they want to invest in different funds and they want to make sure that those funds are kind of balanced across different asset classes or different geographies or different investments styles. If you had one investor who wanted to own four different ETF's and they wanted to have 25% of their portfolio in each of those ETF's, Passiv would be a great way to do that. We would notify you whenever you're off track so that you could login and rebalance with one click.

At the most complex end of the spectrum, we have people who are using Passiv to invest that multiple different brokerages with multiple different brokerage connections and what they use Passiv for is they might use Passiv to do some sort of direct indexing strategy where they are owning the 500 stocks and S&P 500 and they want to be able to tweak the weighting within those stocks.

They want to do it across multiple brokerages. Passiv is probably the only the software tool in the world that will allow them to do that. That kind of takes you all the way from the most simple to the most complex and obviously there is many other examples within that spectrum but those are a few I guess used cases that people are using us to save money and save time within their investment portfolios.

[0:11:43.7] WS: Yeah, I know you are a software developer but you have a lot of experience with obviously investing and finances and you get to speak to lots of investors. I wondered if you have a prediction or opinion about just the investing market over the six to 12 months.

[0:12:01.2] NM: Yeah, I think it is really hard to make accurate predictions over like a six-to-12-month timeframe. One thing I will say is that the defining thing that is going on in the stock market right now is unsurprisingly the corona virus pandemic. To the extent that the market goes up or down a lot like over this next intermediate term here, I guess six to 12 months, I think that is going to be largely because of what happens in the whole vaccination plan I suppose.

[0:12:25.9] WS: Do you have any daily habits Nick that you are disciplined about that have helped you achieve success?

[0:12:31.4] NM: Yeah, absolutely. I would say to the extent that I've been able to do anything well, it's been because I would say a few key habits. The first is just to get a good night sleep. I think the importance of a good night sleep is really hard to overstate and to the extent that I am ever up late, you know, if my dog is sick and I have to take care of it in the middle of the night or any kind of emergency comes up that keeps me up late —

I am just an absolute zombie the next day and I know that there is a lot of kind of people who encourage the hustle and hard work and maybe like staying up late or getting up early to work, I think that's great but I don't think it's why — life is a marathon not a sprint. You need to have some rest in there too. I always try to get a good night sleep and another thing I would say really helps is I read a lot. Every night before bed I'll read whether it's fiction or non-fiction.

I tend to kind of spend a lot more time in the non-fiction world than in the fiction world but I try to read a little bit every day and that compounding of knowledge overtime really adds up and you carry things in your professional life or your personal life and many times, you can kind of think back to things that you read in books or lessons that you learned from books and apply that knowledge to your everyday life. Reading every day I would say is important.

Sleeping well is important and then the third thing I would say is writing is really important. There is no tool in the world that will help you solidify your thoughts like writing well. I try to write 200 to 500 words every day and that really helps me stay on top of what's going on in my brain I guess.

[0:13:53.5] WS: That's great. I am glad I asked you that I mean just because the importance of a good night sleep is not something I normally hear on the show or people talk about but I tell you what, my wife and I talk about it nearly every day just you know, did we get to bed on time and how it affects our morning, you know, the next day. Is there a certain timeframe that you like to be in bed or be up by or certain number of hours that you've figured out that helped you the most of sleep?

[0:14:17.1] NM: I would say if I am striving to maximize productivity and I have no other constraints in my life, then my optimal sleep schedule is something like 9:30 to 5:30. That allows me to get in bed nice and early, get a good night sleep. It also allows me to wake up early and get a lot done before I start getting bogged down with emails and meetings. For me that 9:30 to 5:30 window is excellent for productivity.

I will say I pretty rarely adhere to that strictly just because with the way that my social life works, usually it's hard to get in bed at 9:30 regularly but you know, to the extent that I haven't benefited much from the corona virus pandemic, it has allowed me to get in bed a lot early than I probably would normally. Yeah, I would say the 9:30 to 5:30 is kind of ideal for productivity but not for a lot of other things in life.

[0:14:59.6] WS: What about, I know you said you're mostly reading non-fiction, I would agree that is pretty much all I read is non-fiction but is there something recently that you've read that is just a must read for us just as business owners?

[0:15:13.2] NM: It's interesting because right before Elon Musk passed Jeff Bezos as the richest man in the world, I started reading the Elon Musk biography, which is published in 2015 and I don't know, it's amazing just to read that book. It is extremely inspiring as an entrepreneur and then someone who like to work hard. Just the amount of work ethic that that man has and the amount of I guess appetite for big challenges.

Sometimes we can get in our own heads and get bogged down in the weeds of trying to grow our business and say, "This is hard. I am not sure if it's worth it. You know everything seems to be working against me right now" but if you read that book, it is very hard not to be inspired and to have some recognition that humans are usually capable of a lot more than they give themselves credit for. The Elon Musk biography by Ashlee Vance is one that I would highly recommend.

[0:15:57.5] WS: I appreciate that. I appreciate you say that too just we're usually capable of a lot more. That reminds me of just boot camp in the military. I mean they teach you and so one of the biggest parts of is just that mindset that you're capable of so much more than what you think you are but is there – what would be the number one thing that's contributed to your success?

[0:16:14.8] NM: I would say focus. I think that we get really distracted in life and if you want to be successful in 2021 where there is so much competition and there is so many smart people out there, you have to really focus and expect a few things that you want to try to be the best in the world at and I don't just mean a few distinct things. If you can get them to overlap, I think that is really good. This isn't something that I just thought about myself.

This was an advice that I got from a professor when I was in college. Basically, what he told me was, the world's too competitive now for you to get really good at one thing and be successful. You need to be really good at two things and operate at the intersection of those two things. I took that advice really kind of to heart and I guess the two things that I try to work at the intersection was software and financing. You can kind see that I guess in where I'm at today.

[0:17:01.0] WS: That's well said. I don't know if I've heard it like that before I picked two things and work at the intersection of those two things. That's interesting, I love that and just how do you like to give back?

[0:17:12.3] NM: There is a 501(c)(3) non-profit down in the US called Free Code Camp and to the extent that I've been able to help anyone philanthropically, I am still pretty young but I think they do really good work. Basically, their mission is they want to provide free computer science education forever to everybody. I learned to code originally on the Free Code Camp platform. I think it's important to try to give back to that both monetarily but also in the form of open-source contribution.

Free Code Camp's entire curriculum is open-source and for anyone who is not a computer nerd like me, basically what that means is anyone can view their codebase and anyone can make contributions and improvements to it overtime. They also have a really robust educational community so they allow people to contribute computer science, education videos to their YouTube channel and those sorts of things.

When I have time or energy to give back, I really try to help them just because I was such a big beneficiary of the education that they provide and they have provided so many opportunities for people to give back.

[0:18:10.8] WS: Awesome. Well Nick, it's been a pleasure to get to know you a little bit, have you on the show and just really hear about Passiv, the software you've created that's going to help us to manage our portfolio and it's great, you know, you've set these boundaries and it is going to notify you about certain things and help you to ensure you're getting the best return. I look forward to checking it out myself potentially and having some real estate options as well in the future.

Thank you again for that and I appreciate just on the business side too, just the importance of getting a good night sleep and the way you read and write, the importance of those things and just picking a couple of things to be the best at and the importance of that. Grateful for that, tell the listeners how they can get in touch with you and learn more about you?

[0:18:51.7] NM: If you want to check out our Passiv investing software, you can just go to our website. It's passiv.com, there is no E on the end of Passiv. If you'd like to email me and kind of talk to me directly, I could give you maybe a demo of the software or just talk about investing in general or maybe just say hi or thanks for the episode. You can just send me an email directly, it's nick.mccullum@passiv.com or you can find me on Twitter @nickjmccullum.

[0:19:14.8] WS: Awesome, that's a wrap Nick. Thank you very much.

[0:19:17.6] NM: Yeah, my pleasure. Thanks for having me Whitney.

[END OF INTERVIEW]

[0:19:20.1] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

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