Matt:

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Jake Schurmeier:

You know, you need to find an investment process that works for you that you can stick to, that you can remain disciplined in. And that's kind of the key thing, whether that's being a value investor or growth investor, things that you're passionate about, we have products and investment teams that focus on all of those areas. But the most important thing that all of our investment teams share is that they're disciplined, they're process oriented, and they're thinking about their investment goals over the long term.

Matt:

Well, I'm excited to welcome into the show Jake Schurmeier of Harbor Capital Advisors. How we doing, brother?

Jake Schurmeier:

I'm doing all right. Thanks for having me.

Matt:

Depending on how the market is doing, does your mood fluctuate up and down or you just kind of slow and steady no matter what?

Jake Schurmeier:

You know, you try to be slow and steady. We're all human and we're imperfect, but it's not great to be emotional while you're investing.

Matt:

Absolutely. We talk a lot about that on the show with all of our investors and wealth builders that are looking to obviously always find that edge and just stay ahead of what the narrative is. And I know we're going to dig into that and talk a little bit more of the current events, but for those that don't know who you are, what your role is at Harbor Capital Advisors and kind of your world that you play in, give us a little backdrop on your journey of where we find you today.

Jake Schurmeier:

Yeah, of course. So speaking to you from Chicago. Fortunately, it's a nice sunny day here. So Harbor Capital Advisors, we're a $40 billion asset management firm that's really focused on finding and curating kind of the best portfolio management teams we can find around the globe and delivering those in whatever investment vehicle investors prefer. So me, I'm a portfolio manager within the multi-asset solutions team. So we do a number of different things, but mostly it's thinking about how do we kind of overlay macro understanding and then our ideas, so kind of tactically on top of these kind of best in class managers. So whether it's leaning into our fixed income views, our equity views, our commodity views, those sorts of things, we try to bring the top down to the kind of bottoms of work a lot of our managers are doing.

Matt:

So talk a little bit about what led you into this space. Did you always have a desire to go into the financial market space, get into the world of Wall Street, or what led you into Chicago Harbor Capital Advisors and ultimately your interest in this world of finance?

Jake Schurmeier:

So background is more in public policy. So I spent several years split between the Federal Reserve Bank in New York, so the New York Fed, which is the Trading Desk, the Federal Reserve system, as well as at the US Treasury Department. So public policy, kind of the intersection of US interest, macroeconomics and financial markets to try to deliver the best policy solutions largely focused on treasury markets and fixed income markets more broadly. And so that kind of naturally has a lot of focus on financial markets, what's going on in terms of macro developments, how it goes into asset market returns and kind of led me down the finance path.

Matt:

So when you worked at the Fed, I think those are always somewhat, for a lot of people, they feel like they're kind of closed door communities, conversations circles. Is that true? And what are some of the things that you learned about the Fed that maybe the public doesn't know that might be helpful for them to better understand how the macro workings of the Fed, the treasury, and ultimately how that impacts people's investments and finances? How can you share more insight into your experience while you were there?

Jake Schurmeier:

Yeah, I think some of the misconception is historically the Fed was not very transparent. So going back to the Greenspan Fed, we didn't have post meeting statements, we didn't have post meeting press conferences, transcripts, any of the things that we have today. And so the Fed really in the last 15 years or so, since Bernanke onwards, is really focused on being more transparent, explaining to the public, getting the public behind their understanding of how they make monetary policy because a lot of it is informed by expectation. So in so far as you can guide expectations to be supported of monetary policy goals. That kind of is a self-fulfilling prophecy in many ways. And so I think that's the misconception. A lot of people think of the Fed as the 90s Greenspan Fed and they've made a lot of inroads in becoming more transparent, but they're not really a user focused design industry.

And so we don't always make that transparency obvious. It's not always the easiest topics to explain publicly, and there's obviously uncertainty about what they're doing, but I think they make a very strong effort to explain themselves publicly and inform the public. And in terms of how it works, it's a very consensus driven organization sometimes to a fault. Obviously, the Fed missed the large spike in inflation that we had over the past 18 months or so because there was this broad consensus that it was a transitory thing because they relied on their historical models. Whereas on the ground, probably would've told you there was more pressure building there. So I think the consensus driven nature of the organization is great in the sense that you're bringing together very diverse views, very intelligent people scattered across the country, focusing on all these different kind of narrow subjects. But that consensus can also I think, lead to some poor decision making when you're kind of in a more dynamic environment and maybe you need a stronger voice.

Matt:

Let's take a quick break and hear from today's show sponsor. It's just about that time of year again. Yep. I'm talking about wedding season and with the weather getting nice. Events and social gatherings are back in full force. And while looking sharp can get expensive, it doesn't have to with Indochino. With their huge variety of customizable details and fabrics, Indochino can help you custom create literally anything you desire from made to measure blazers and suits to one of a kind tuxedos. And the beauty of it all, it can be done with no tailor necessary. Personally, I'm in love with my new suit and all the cool casual wear outfits that I got. But I got to be honest, I've got more compliments on the pocket squares and their really cool cuff links. And the great thing about Indochino is their process is just so simple.

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Yeah, no, that makes a ton of sense. What were some of the things that you learned over your time there that you feel has really helped you in better understanding how to navigate the macro picture of the markets and make informed decisions based on what the Fed is doing?

Jake Schurmeier:

Yeah, I think a lot of it is really clarifying two different things. So one is the plumbing of financial markets, kind of how the banking system works, how the banking system interacts with investors. So the stock market, treasury market, corporate credit, kind of how that then influences the real economy and how they reflect each other. So this idea of financial conditions, understanding the moving parts, how the Fed's kind of policy levers affect financial conditions and then how those feedback into how the Fed thinks about the world. So I think that's one of the primary areas.

And the other one is really being at the Fed, you have access to all sorts of different investor types. So from your large pension funds, your large asset managers, your hedge funds to your state and municipalities, overseas investors. So you get a really great set of diverse viewpoints. And so you can understand that while the market may disagree with your point of view in a narrow sense because you have a very different horizon or incentive structure or access to leverage, that's going to be very different from maybe a pension fund that's looking 12, 15, 20 years down the road as a very different incentive structure that they're trying to satisfy. And so it really gives you access to those diverse viewpoints and how they intersect in the market.

Matt:

Makes a lot of sense. What are your thoughts on Jerome Powell and how he's doing as the chairman of the Fed?

Jake Schurmeier:

Yeah, I think he's the right person for the moment. He historically has some more political background. He spent time at the Treasury Department, was kind of active in Washington when he was working on fiscal issues in the late 2000s, early 2010s. And he has really deep relationships across the Hill and I think that's helped him to avert some of the criticism that they rightly deserve for how high inflation got. Whether it was the Fed's fault or not, inflation's been far above 2% for a while and that harms consumers in this country and it's a bad outcome. And so I think his deep relationships across the Hill have really helped to shield the Fed and from some of the harshest criticism they otherwise might have expected. I think he brings a diverse perspective from the very academic background the previous Fed chairs had. And I think that's good because I think he's a good consensus builder across the organization. He can wear that academic input, push his kind of the man on the street ideas that maybe some of the kind of more business oriented FOMC members are bringing to the table.

Matt:

Now you've got a unique experience and perspective working with the Fed and the Treasury. Obviously you noted that with Jerome Powell as well. Talk about how those two organizations work together in terms of monetary policy, in terms of managing things like inflation, economics from a macro perspective and what's the synergy there?

Jake Schurmeier:

Yes, there's a ton of intersection in a wide swath of policy issue. So monetary policy is really the Fed's domain. So the Treasury kind of keeps themself out of it. And on the other side, kind of dollar policy thinking about guiding the US dollar as of the reserve currency commenting on the dollar, that's the Treasury's domain. So those two areas are really kind of separate. Treasury also kind of keeps control over the fiscal policy because that's ultimately a political question and the Fed tries to avoid that. But kind of leaving those aside, there's a ton of interaction on things like banking supervision. So when we had the recent bank failures, the treasury's active in terms of standing up those facilities to lend to those other institutions, so the Treasury's providing the capital for the lending programs that the Fed is ultimately implementing. They're working through the Financial Stability Oversight Council with the Fed, the FDIC, the SEC, et cetera, to kind of think about policy that's fit for purpose for the financial system.

Crypto markets have been another thing over the past two years that they've talked a lot about at that kind of cross-agency level, and they do a lot of international work. And so we have obviously the dollar's the world's reserve currency and that has important... Builds us important relationships geopolitically and across the globe. And so the Fed does a lot of work in that area, but Treasury really kind of sets the agenda based on our geopolitical interest. So there's just a lot of touch points across the board, even terrorism financing. A lot of the terrorism financing sanctions work that the Treasury desk, it works through the banking system. Who has the best eyes in the banking system? The Fed. And so there's a lot of information sharing on how to implement sanctions and things like that.

Matt:

What are your thoughts on many of the ways that the Fed and the Treasury are running? Obviously there's proven ways of the world and how they have operated for so long and yet there are many different components and models that are somewhat outdated and archaic. What are some of the things that, just from your own personal perspective, you see being hurtful or harmful to that maybe could be adjusted or updated to create a more fluid system with the current times that we're in and where we're heading with technology, crypto and a lot of the things that weren't around for a lot of these organizations' tenure?

Jake Schurmeier:

I think the two kind of salient, most recent, things are the payment system. So crypto, especially if you're thinking of stable coins, things like that. A lot of those are just kind of payments in disguise. And some of the issues there is because the Fed's payment system hasn't been updated for a while, there's still kind of these embedded delays all across the financial system for stocks, for interest. You buy a stock today, that doesn't actually settle for T plus two, so two days from now. And so in between there needs to be margin in the system. If you remember kind of the issues with Robinhood in early 2022, I believe, where they had some margin issues... May have been 2021, forgive me if I forget the dates there. But those kind of financial plumbing issues, the Fed moves pretty slowly on that.

And I think a lot of the innovation in digital assets and kind of realtime payments, things like that, the Fed needs to come up to speed on, and they are coming out with a realtime payments model I think at some point this summer. And so they are beginning to catch up. So that's one area. And I think the other one is what we learned with the failure of Silicon Valley Bank recently, that thinking about bank runs and thinking about financial movements across the banking system, how does that look like in a world with real time banking? What does that look like when everyone has a banking app on their phone and can transfer funds from one bank to another?

And so, I don't know what the right policy answer for that is because I think it's just embedded in their own ideas, our own ideas that people should have the freedom of movement for their money.it's a really difficult policy question to solve because a lot of the information in the SVB case, sure they were under pressure, but if we didn't have all of those depositors flee in one afternoon, the bank would've been able to muddle through, maybe we would've had a purchase. We would've had a cleaner kind of transaction there. But because everyone kind of fled in unison, it created a problem and the bank failed. And so I think addressing real time payments and thinking about safety and soundness in that context are going to be really difficult policy questions for them.

Matt:

Yeah. It is an interesting point that you bring up, having a bank unravel in seven minutes or seven hours, let alone banks having seven days or seven weeks to work through some of those challenges. Technology and the speed at which it travels obviously creates a completely different landscape to work through. What are your thoughts on the challenges that regional banks are facing right now, just sticking in that vein of banks and finance? What are your thoughts around... Obviously Warren Buffett's come out and said there are going to be more bank failures, but I think if you look at the data, there's been over 500 bank failures since 2010. It's not uncommon. That being said, is there more pressure mounting in the banking system now with these types of challenges of technology, the speed of information in which it flows, than there were in the past, and what does that concern look like for investors in the financial market as a whole?

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Jake Schurmeier:

Yes, I mean it's a big broad question there, so I'll try to take it in pieces. So to the kind of general story about bank failures and kind of the winnowing and the consolidation of the banking system, that's been going on for, call it, a hundred years. If you looked in the late eighties, there was something along the order of 10,000 banks. Today there's somewhere on the order of 4,000. And if you look at it in terms of the concentration of assets, I think it's over 50% of the assets in the banking system are in the top 25 banks. So there's this just gigantic tale of regional banks, small banks, community banks, credit unions, et cetera. And so, insofar as technology enables you to do all these things more efficiently, it also enables these businesses to be run at larger scale efficiently. And so consolidation that I think is just a broader trend in the US economy.

You see it in other sectors as well, that technology enables scale, it allows companies to get bigger and more quickly and operate at much larger scales. And so I'd expect more consolidation. Whether that has to happen today, in the next few months, that really is a question of if these banks continue to come under stress. So there's a very big macro problem facing all banks. The Fed is continuing to hike interest rates, that's likely to slow the economy. So in that environment you'd expect credit losses to increase. And because interest rates went so high, a lot of their assets are underwater. So the securities on their books, the loans on their books, and that's all fine unless deposits want to leave the institution in size, which we saw at SVB, Signature, First Republic. So it's hard to identify if any other specific banks are at risk.

They're all facing the same problem. The extent just differs across them. Some institution may be more conservatively run, may have a cheaper deposit base than in other institutions. They won't have to compete as hard, they have more liquidity on the balance sheet. There's a spectrum across all these variables, but it is going to make them more conservative. They're going to be less willing to lend, it's going to slow the economy because they know it can happen to them overnight. And that's kind of the risk for policymakers. It's an impossible thing to predict. And I think that's the thing that's probably keeping most policymakers up at night is that they don't know which bank might be at risk. They don't know what's the best way to resolve these bigger macro problems because in many ways it's just a function of where we're in the macroeconomic cycle, not necessarily indicative of any malfeasance on the behalf of banks.

Matt:

And maybe shed a little bit more light in your perspective on where are we in the macroeconomic cycle and what are the macroeconomic problems that we're still working through?

Jake Schurmeier:

Yeah, I mean the biggest one is inflation's too high. So inflation's too high, the Fed has to keep interest rates high. When the Fed has interest rates high, that slows the economy, the economy slows, you start to see credit issues pop up. And so the stark thing about the cycle is just how extreme inflation has been as a result. Interest rates have been, but we've kind of been able to muddle through, and the US consumer has been quite strong. Some of that was because we all stayed at home during the first parts of the pandemic. So you had savings piling up, you had nowhere to spend it. And there's kind of been this revenge spending. We've seen the savings rate go down as people are getting back outside kind of living their life again, which is a positive in many ways. And so we've been able to muddle through, but we're kind of getting to the exhaustion point for people's ability to continue to fund that.

Cause you've actually seen real wages from remain negative for a while because inflation is really eroding our ability to consume things. And so combine that with high interest rates and tighter credit conditions, it's likely to make for a slowing economy and likely to push into a recession at some point because banks are going to be more conservative because they're worried about the credit side and they're worrying about their funding side. And banks, to a lesser extent here than in some foreign countries, they're the marginal provider of credit to the economy. And if we don't have credit, it's hard to grow other than the normal productivity cycle.

Matt:

Where do you see this being a soft landing, hard landing? We keep hearing recession talk, right? I think people are starting to either get desensitized to that and say, "We've been talking about this, it's not happening." At the same time, I think you're starting to hear more and more people say, "I've been hearing this over and over again and it's actually starting to make me feel more and more uncomfortable." What's the thought around a hard or a soft landing and the likelihood, if when, another recession?

Jake Schurmeier:

Yeah, so if you think about any year for the last a hundred years or so, the chance we have a recession is somewhere between 10 to 20%. The cycles have been getting longer of the past few decades, but in any year we can fall under a recession. We think the odds are closer to 50/50, so a meaningful amount higher than your typical year. And we think that's really a function of how high interest rates have been, what we're seeing in terms of credit standards tightening there, slowing kind of bank credit growth and just kind of slow and low overall consumption. And so we think the signs are there that the economy slowing and the Fed's intention are to keep interest rates high until inflation comes down. They're willing to risk a mild recession in favor of getting inflation down. So that's kind of a base case.

For the more severe recessions, you need to identify what's that catalyst, what's that precipitating factor that can exacerbate it? And if you look at the kind of balance sheets for households, corporates, because we had interest rates so low for so long, they don't look particularly strained. So it's unlikely they're going to be the exacerbating factors. Maybe it's from the regional banking issues that those continue to precipitate if they spread much more widely, maybe that's it. Maybe it's a foreign shock, a geopolitical shock, something like that. But for now, we think inflation is coming down, probably not fast enough for the Fed to be satisfied, but hopefully by the end of the year, early next year, it's come down sufficiently that they can start to weigh the trade-offs between, "Hey, do we keep interest rates high, continue to weigh on growth and inflation, or are we willing to start openly debating the idea of cutting, beginning to give accommodation to the economy to kind of start growth again?"

So that really depends on where inflation realizes over the next six months or so. But we're optimistic that it'll happen, but it just likely comes with a moderate recession, the unemployment rate going to four and half, 5% from the three and half percent it is today.

Matt:

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In terms of the debt ceiling, that's been the hot topic of conversation. Yellen is saying some pretty dire concerns if it doesn't get passed. You've got McCarthy and Biden noting that there is some positive narrative around the discussions that have been happening this week. Sounds like ideally the drop dead date that could be of real concerns between the 8th and the 12th depending on when they get things done. The right has said they've signed the house, bill. The left has said what they've presented just doesn't make sense. What are your thoughts say around them getting something done? And overall, your thoughts on the debt ceiling getting raised and is it really something that is getting solved in a more macro picture?

Jake Schurmeier:

So I mean, we're optimistic they get it done. I think we should all be optimistic they get it done because it's kind of this insane policy issue that is we're arguing about whether to pay past bills in order to solve problems about future spending. It's kind of this insane thing that you say to your credit card company, you need to up my limits for the future or else I'm not going to pay you the bill I already owe you. It's basically what we're doing.

Matt:

Yeah, right.

Jake Schurmeier:

A tortured analogy. And so I think there is room for agreement between the two parties. Seems like they've kind of really narrowed the scope of policy issues. So it's really about how much does spending grow in the next few years, where does it grow? So defense versus non-defense, discretionary spending. And then maybe at the margin they're going to pull back some unspent Covid funds, something on the order of 90 billion.

So it's kind of, we say it's reducing the deficit because it's just money we didn't spend in the past, but it's spent. So why not call it a win? We move on from there. They're continuing to talk about permitting reform. Republicans really want to focus on oil and gas exploration. Democrats really want to focus on clean energy transmission, those sorts of things. So both parties want something done on the permitting side for different reasons. So we think that's an area where there's going to be some compromise in the next few months. I think the problem really is we're running out of time. So we find that Secretary Yellen when she says June 1st, but meaning the first two weeks of June, we find that pretty credible. If you just look at Treasury's fiscal flows on average, you typically have these really large outflows on the first of the month because you're paying Social Security, Medicare, VA benefits, paying overseas military, payroll, things like that. There's just lumpiness. Like anyone's cash flow, there's lumpiness to the Federal government's cash flows.

So because cash is so low, we're currently at about 70 billion or so, combined with these extraordinary measures, these accounting gimmicks treasury can use, there's not a lot of room left. And we know on June 1st there's going to be a lot of outflows. So maybe the actual date treasury runs out of money isn't June 1st, but it's small forecast errors if it's June 3rd, June 5th, June 8th. We find that window of time very credible. And so from the negotiation standpoint, there's not a lot of legislative days left. We're speaking on a Wednesday here, they only have one more day before the Memorial Day weekend where the house is in session. And so what you likely have to see, given how long it takes to create a bill, mark it up, move it through both chambers of Congress, that takes a few days. And so at this point, they're probably going to have to do a short term extension if they think the negotiations are going such that they'll have kind of a broader deal going forward because we're running out of dates. June 1st is a week from tomorrow.

Matt:

Let's take a quick break and hear from today's show sponsor. If you're a driven entrepreneur, CEO or investor, you know that it can often be a lonely road to live a life that most people just can't relate to, especially as you become more and more successful. And when I was building my business and looking to grow my wealth and take it to the next level, I really knew that I needed to level up my circle and who I surrounded myself with, but I just didn't know where to find them. And that's where GoBundance came in.

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What if we don't get it done?

Jake Schurmeier:

Yeah, that's the unknown. It's funny. It's a really interesting kind of political dynamic in the sense that treasury has every incentive to say the world's going to end. I think they're probably the closest to the truth. Republicans have every incentive to say, "Well, it's not that big of a deal if it comes to it." I don't think that's their main kind of statement or negotiating position, but you want to stake out somewhere between those two. And it's hard to say where exactly the truth lies, but we think the consequences would be pretty grave. The S&P already downgraded the Treasury in 2011, the last time this really became a large concern for the markets. Fitch, the other three big rating agencies talked about if this continues, they may put us on ratings downgrade. They may downgrade us. Moody's has said similar things about the likely effects.

And so you may get a debt downgrade. That debt downgrade passes through the entire US economy. Banks get downgraded, high grade corporates get downgraded, high yield companies get downgraded. And that's before you start thinking about the difficulties where Treasury is actually prioritizing who to pay. So you're immediately seeing a cessation in some social security payments, veterans payments, all of those things we were talking about, those fiscal flows, they stop overnight because Treasury is probably prioritizing to pay debt holders.

And the reason for that is, one, it's to avoid the kind of medium term consequences of a default and what it does to the US's credit rating going forward. And then two, it's a political choice. Treasury pays the debt holders so they don't have to make the choice of who do you pay first? Medicaid, Medicare, Social Security, veterans? That's an impossible political choice for non-political entities like the Treasury Department. And so their choice is going to be let's pay the debt and then every politician overnight is going to be inundated with calls from their constituents because everyone has a veteran, everyone has a Social Security recipient, a Medicare recipient. So you make the politics kind of bounce back on the politicians.

Matt:

So what is your outlook with all of these somewhat big narratives around big issues? The underlying whispers that have continued to ripple through conversations is the strength of the US dollar and the strength of the US dollar remaining the reserve currency long term. We know that obviously it would take a very long time to unwind that. And yet, it sounds like more and more of those conversations are being explored right now. What are your thoughts around that narrative and the likelihood, if ever, the US dollar falls off as the reserve currency of the world?

Jake Schurmeier:

I mean, our dysfunction doesn't help the conversation. It's clearly been a talking point lately, but there's just very little evidence of any kind of widespread switch away from the dollar. One, because there's not really a plausible alternative. Everyone talks about the Chinese renminbi, but the problem is it's not freely convertible. You can't actually go to China, get tens of billions of dollars in renminbi, in dollar equivalents, and then kind of move that cross border. There are limits. There are capital controls on what you can do. And so to be a reserve currency, you need to be freely convertible. In Europe, we've done that story before, that was kind of the 2000s into the financial crisis, and then we saw all the debt issues with the Spains, the Greeces of the world. And so I think the Euro continues to be a robust kind of second to the dollar, but it just doesn't seem likely that it's going to be a plausible alternative because so much of the world is still denominated in dollars, trade is invoiced in dollars.

We have the treasury market, which is the deepest most liquid market in the world. So people can park their dollars in a safe asset. Obviously defaulting on those would put that at risk. So that is a concern. But if you look at the smallest changes away from the dollar, it's really been those countries who are our geopolitical foes. So it's Russia who had their treasuries frozen, who are switching into gold or going to China and investing there, or denominating and invoicing in the renminbi. It's China who's kind of diversifying because obviously we're in strategic competition. But for the vast majority of our training partners and our allies, the dollar remains the only game in town.

Matt:

So with all that taken into account, you guys obviously have 43 billion plus assets under management. What's the short term defense with the risks you see out on the horizon? And also, what is the maybe short term or near term or long-term offense you guys see as an opportunity coming out of all of this?

Jake Schurmeier:

So short term in our macro, in our multi-asset portfolios, kind of the top-down view is we think a recession's likely. We think given the challenges to growth over the next six to 12 months combined with valuations that aren't incredibly compelling. If you look at the S&P, just look at a simple PE or cyclically adjusted PE, we just don't think there are compelling valuations there. And a lot of the stock market run-up we've seen year to date has really just been a few beneficiaries, NVIDIA, Microsoft, things like that. It's really been a tech driven and very narrow run-up year to date. And we think that's reflective of that the underlying economy is slowing, growth is below trend and there is a meaningful risk for recession. So that leaves us underweight risk in our multi-asset portfolio. So relative to whatever your benchmark equity allocation is, we're underweight that.

We're overweight fixed income we think. Because we think this is once in a decade, attractive yields, especially for those higher quality products, your investment grade corporate credit, your agency, mortgage-backed securities, treasuries as well. If you can get a bill rate yielding five and a half percent, that's pretty attractive today when you're looking at an earnings yield on the S&P far below that. And so we just think from a valuation perspective and our cyclical view that fixed income is more attractive than equities at this point.

Kind of the medium to longer term view is, I think the debt ceiling is a case in point for this, is that stay invested, focus on your medium to long-term goals. There is a lot of noise in financial markets. There's far more volatility than there is kind of fundamental changes. And so you need to find an investment process that works for you that you can stick to, that you can remain disciplined in. And that's kind of the key thing, whether that's being a value investor or growth investor, things that you're passionate about. We have products and investment teams that focus on all of those areas, but the most important thing that all of our investment teams share is that they're disciplined, they're process oriented, and they're thinking about their investment goals over the long term.

Matt:

Critical, right? Like you said, stay invested, no matter how high the market sounds, how low the market sounds, how dire or sexy it sounds. You just got to keep the emotion out of it. Have your plan consistently over an extended period of time, execute on that plan. And I'm curious. For you personally, I know obviously you work with many different investors and organizations of different sizes, but for you individually, what does your kind of investment focus and discipline look like as an investor yourself?

Jake Schurmeier:

Yeah, so I mean, for me, I really focus on my horizon. I'm in my thirties and so hopefully I stay employed for a while. I can meet my bills day to day, things like that. And so I'm thinking about what does my investment portfolio look like 20, 25, 30 years from now? So I'm really thinking over that horizon. If you look, and when you start to look over that horizon, the volatility of stocks is actually quite comparable to fixed income when you take 20, 30 year holding period returns. And on average, they deliver much higher returns. So for my own investment portfolio, I'm largely focused in a broad based balanced equity portfolio because I have that 25 to 30 year horizon and I can look through the month to month, the quarter to quarter, the year to year fluctuations.

Matt:

I love it. Any real estate in your portfolio?

Jake Schurmeier:

Just the home that I live in.

Matt:

Just the home that you live in. And I always like to talk, because I'm a real estate guy, but I've got a decent allocation now in my portfolio and different insurance and equity products. That being said, I always love getting the perspective on is your portfolio heavily invested in the markets just because that's your basket that you're watching like a hawk? Or do you feel differently about real estate investing? What's your take on real estate investments as a holistic approach to your portfolio long term?

Jake Schurmeier:

Yeah, I mean I think for me it's focusing on real estate for the kind of benefits that are accrued. So at this point I live here, and so focus on the home that you want to live in. Focus on kind of a home you want to live in the medium term. And then, what are you trying to optimize? The amount of leverage you can get through a mortgage and kind of minimizing your interest costs and making it something... You don't want to be house poor. So what can you live in, what can you afford, what do you enjoy living in? And kind of make sure you're accruing those benefits. And kind of the medium term though, I'm optimistic about the US housing market generally because we've been under supplied for the decade after the financial crisis. It's something that people have speculated, maybe we see some of that in tech given all the layoffs of the past two years.

But you lost so many contractors, construction workers, land developers, all of the infrastructure that surrounded the housing boom in 2005, 2006, 2007, you had a permanent kind of cut to the supply of that infrastructure. And since kind of 2008, 2009, and I think there's also the memory parts of it, a lot of people were burned in that period. A lot of people lost a lot of money, a lot of businesses went out of business. And so in that environment, we've had this chronic under supply of housing in this country over the past 15 years. And I think we're seeing more discipline from those home builders, from people in the industry. They're more conservative. Lending is clearly more conservative on the mortgage side.

And so I think if you continue to see the US population growing, we're not getting more land. People still like to live in cities, they still like to live in concentrated areas. Some of that switched to the suburbs coming out of Covid. I live in a city, so I'm biased here and I think cities will continue to prosper, but I just think real estate will continue to deliver positive returns because there's that chronic under supply. And so long as you're kind of focused on a medium term horizon, you enjoy living in it, I see no reason not to continue to engage in the housing market.

Matt:

I love it. Well, we've appreciated you sharing your insights and your experience today. And I know some people are going to want to know more about Harbor Capital Advisors. They're going to want to know more about you. What's the best place for them to do that?

Jake Schurmeier:

Yeah, we'll drop it with you and you can drop it in the episode description, but Harborcapital.com is a great way to look at us, look at our products, look at our insights, and learn more about the firm.

Matt:

Jake, thanks for coming on the show today, brother.

Jake Schurmeier:

All right, thanks so much, Matt.

Matt:

Well, that wraps up this week's episode. Hopefully you guys enjoyed that interview and if you did, all I ask is that you take two minutes and leave a review on iTunes. Whereby doing so, you're also going to get entered in to win a hundred dollars gift card. Don't forget to share this episode out with somebody else that may need to hear it or may get some value from what was talked about in today's interview. And for those of you who are really looking to accelerate your wealth building journey, you want to unlock more financial freedom, you want to get more time back, or maybe you just want to level up your life, your business, your finances, be sure to head over to Millionairemindcast.com and check out all the amazing products and resources that we have for our Millionaire Mindcast family, whether that's one-on-one coaching with me, mastermind events, downloads, and checklists, the Rich Life Planner, for those of you looking to take your goal setting and productivity in the next level, we've got all kinds of great valuable tools. So be sure to check those out at millionairemincast.com.

And last but not least, if you're not on my weekly text letter and you want to be the first to know of exclusive updates and offers, in addition to behind the scenes access to a lot of the stuff that I'm doing, that I'm investing in, be sure to join by texting the word notes to 844-447-1555. With that being said, thanks for listening today. Until next time, keep investing in yourself and your wealth on your march to a million and beyond. Cheers, my friends.