

## **Fresh Invest: Picking a brokerage Season 2, Episode 13 Transcript**

**Alex Lieberman, Co-founder and Executive Chairman of Morning Brew** Hey, there. I'm Alex Lieberman, co-founder and executive chairman of Morning Brew. This is season two of Fresh Invest, the investing podcast sponsored by Fidelity Investments and powered by Morning Brew. Today's topic is kind of a basic one, but that definitely doesn't mean a boring one. I'm going to help you figure out what approach to managing your investments makes the most sense for you. Not like how much exposure to crypto, like, an app or a person.

**Alex** So, over the past 12 episodes, we've covered a lot of different tools and assets that may make sense for your portfolio, from SPACs to options to crypto, and we've explored concepts like compounding interest and active trading that you can use to help grow your wealth. This is a new kind of topic.

**Alex** For this episode, we're going to zoom out and talk about where exactly you're actually crafting that portfolio. Is it an online brokerage or a human being in an office downtown? If it's the former, what kind of online platform makes sense for you? If the latter, how do you know which broker is best for your needs? And before you say, OK, boomer, first of all, I was born in 1993, and second of all, while we're very aware of the broad shift to digital portfolios, there are important benefits to having a flesh-and-blood professional you can talk to about your investment strategy. And to talk through those options, we've got Heather Knight joining us.

**Alex** Heather, welcome back to Fresh Invest.

**Heather Knight, Regional Brokerage Consultant at Fidelity Investments** Thanks, Alex. I'm excited to be here.

**Alex** So, just to set the stage, could you introduce yourself and explain what you do at Fidelity?

**Heather** Absolutely, Alex. As a regional brokerage consultant with Fidelity Investments, I support and work with individuals who tend to make their own decisions when it comes to investing. I like to think of myself as someone who will work together with clients as they begin their journey within Fidelity. Many of the clients are putting their foot in the water just with Fidelity, or even new to investing in general. Most of the conversations that I have are educational in nature and really are customized based on the unique needs of each individual or family.

**Alex** OK. So to hop right into today's discussion around online versus in-person financial advisors, a quick lay-up, which is, in the briefest possible way, can you explain why there has been this recent shift to online brokerages?

**Heather** Sure. I would say that it's cost and convenience. Those are the two biggest factors, but with all the advancements in technology, this has given us more access to research tools and educational materials. But overall, it's that convenience. And, of course, the cost factor.

**Alex** And, to be totally honest with you, I think a lot of people my age are asking the question, like, why am I not just auto-defaulting to using an online brokerage? Can you just give the case for why a human broker still may make sense?

**Heather** Yeah. Actually, there's something to be said about having a professional assist you with your financial planning. You may want to look for a place that offers you that online experience or the digital experience, as well as someone to work with you based on your own unique needs. Most clients that I've worked with prefer to do some things on their own, but they still need that planner or that interaction. So really, ultimately, the best way that you can actually approach this is to try to find a place or work with a place, maybe, that gives you the ability to have the best of both worlds.

**Alex** And so, then let's flip this to the other side. What factors should amateur investors think about when selecting an online brokerage rather than a human broker?

**Heather** Overall, you might want to consider selecting a firm that will grow with you. While we may be focused more on building our portfolio in our younger days, things might change for us, and we might need some additional services, such as estate planning. Some of the other things that you may want to consider is the availability to speak to a specialist when you need to.

**Heather** Educational tools and live events, as well, just like on-demand webinars are certainly a topic of conversation to have when you're thinking about a firm that you're working with. And then research, online, and mobile tools, and access to unique order types could be important as well.

**Alex** So it sounds like what you're saying is this hybrid, where you have the accessibility and the cost-effectiveness of an online platform, but you have the high-touch nature of a personal broker and a sense of security that I think, to your point, never—potentially will never go away. Let's talk for a second about any brokerage platform that someone is considering putting their money with. What is the type of data and information that any investor should be expecting from a platform?

**Heather** So some things to think about are working with a firm that may offer unbiased research reports or different methodologies for their approaches. This could be providing information from a fundamental, technical, qualitative, or even quantitative approach. This way, you get a full picture rather than a one-sided piece of the picture.

**Heather** From a platform perspective, you may want to access the streaming capabilities, as well as the ability to customize your own view on your platform based on your own needs. For example, if you were an options trader, you may want to view things like back-tested strategies, or you maybe want to run a profitability calculation to quickly view paired positions. Or if you were interested in sectors and industries, maybe you want to prefer to organize your positions based on sector that they reside in or the industry that they fall in.

**Heather** And finally, it's important to research the firm that owns the platform. Is the platform something that has been purchased over and over again, or is it a platform that was actually built in-house? It might be beneficial to look at a firm that has a team that is constantly improving and adding new features, and can do that easily because it's an internal platform. Thinking about that firm also that might have the ability to continue to keep up as we continue to move forward with technology advances. Those would be some important things that you might want to consider.

**Alex** Well, and to your point, I think that's a great overview of the things to consider. The other benefit here is that we are in a competitive market where there are so many platforms at this point that their incentive is to provide the best experience humanly possible. And investors can expect this of the platform they choose to work with.

**Alex** Let's talk about, though, the—I don't want to say the negative aspect—but some newer phenomena that have come about kind of with the rise of digital platforms. Obviously, in recent months and year, we've seen certain single-name stocks and different securities go through absolute frenzies as a function of what felt like trading that originated from sites like Reddit or specific subreddits or a ton of banter on Twitter. How do you think about this relationship between narratives around certain trades that start on social platforms and the proliferation of low-cost digital investing?

**Heather** Yeah, Alex, it's true. You know, right now we live in that digital world, and it's not really going to get any smaller. [chuckles] That being said, the connection of individuals and ideas through social media has certainly amplified an interest in online investing. And the effects of that connection of investing ideas is still a relatively new phenomenon that I think everyone is still trying to figure out.

**Heather** I do think that online investing can exist without social media, though. After all, it's been, first and foremost, even prior to that. But the social media makes it more interesting and possibly could be even dangerous. One of the things that you might want to consider is who's supplying you the information that you're acting on? Are they an investment professional? Does the idea fit into your overall plan, and are you willing to take risks without doing research on the fundamentals of the company?

**Alex** So, I want to, I think going back to the top of the episode, you provided a lot of, I think, really compelling reasons for why any amateur investor should consider working with a human broker. But I have a question from one of our Fresh Invest listeners. And candidly, it's something I've been thinking about for a long time as well, which is: Why not, when I'm thinking about putting my money to work, especially as a young individual, why am I even thinking about working with a human broker who's more expensive?

**Alex** And why am I not just optimizing for an online brokerage—and specifically the online brokerage that has the lowest fees—and just putting all of my money into the S&P and just letting it compound for the next 40 years? Doesn't that just make sense to do?

**Heather** Yeah, Alex, we get this question a lot, actually. It really does go back to something that I did mention earlier. You really want to consider a company that's going to grow with you and has the support in place, maybe to assist you in the moment.

**Heather** What I mean by that is, like, when thinking back to me at 20 years old, I didn't care much about retirement. I was more interested in what it would be like to buy a stock and then sell it and take a profit very quickly, and making a few bucks here and there. But I never really looked beyond that. After I had my son, things started to change for me.

**Heather** I knew that I wanted to help him with college one day. I also knew I needed to include things like estate planning and thinking about retirement. I guess I had to start being more responsible and entering into the adult world. And while cost is always a factor in anything that I personally do, and I think that a lot of people feel the same way, overall, we want to look at the value first.

**Heather** And so working with a firm maybe that would be there throughout the financial journey is really one of the important factors. Many people come to Fidelity because we customize the experience, we provide education, and we truly care about a generational relationship with our clients.

**Alex** Yeah. I think this point about there—while return is obviously of paramount importance, there are other aspects to making a decision in terms of where to put your money. Things like thinking long term about large financial decisions, not just what are you investing today. That's super important to take into consideration. So, Heather Knight, thank you so much again for joining Fresh Invest and look forward to having you back on the show.

**Heather** Thanks. I appreciate the time with you today, Alex.

**Alex** And everyone, thank you so much for listening to Fresh Invest. This one was fun for me. I feel like so much has been made of the recent shift to online investing that an argument for the old-fashioned broker is kind of the more contrarian one at this point.

**Alex** Thanks again for listening and make sure to tune in next week. We're going to get into some more advanced investing tools for individual investors, like, beyond your standard index or ETF.

**Erica Gunn, Producer of Fresh Invest** Hey everyone, this is Erica Gunn from Morning Brew. And as the producer of Fresh Invest, I'm here to let you know that this podcast was created on behalf of Fidelity Investments by the Morning Brew Creative Studio, and does not reflect the opinions or point of view of the Morning Brew editorial team. Sources are provided for informational and reference purposes only. They are not an endorsement of Fidelity Investments or Fidelity Investments' products.

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**Erica** See you next time.  
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