

Episode Title: Time-honored passive income streams

Episode Description: Passive income is within reach for investors now more than ever. We break down how you can get in on some of the quintessential passive income strategies, plus how to leverage this capital once you have it.

Transcript:

Alex Lieberman ([00:04](#)):

Hey everyone, I'm Alex Lieberman, co-founder and executive chairman of Morning Brew. This is season three of Fresh Invest, your favorite investing podcast, sponsored by Fidelity Investments, and powered by Morning Brew. This season, we're getting you the answers that can help you understand and prepare your finances in volatile market conditions. Last week, we covered how exactly the current market is impacting investment portfolios, and the tangible ways investors can maximize their portfolios in the current market. Today, I'm excited to talk about passive income, and how investors like you can potentially earn money with little to no effort. It's a subject that, according to a survey we ran at the beginning of the season, you, the audience, is most interested in, and for good reason. Having a steady stream of passive income is a financial goal that many people dream about. They write in their manifestation journals about it, and they itemize it on their list of financial goals.

([01:02](#)):

It's a topic that's become increasingly intriguing in today's market as investors look for successes and a better foundation for building wealth. In today's episode, we're breaking down passive income strategies with Meredith Stoddard, who's a Life Events Experience Lead at Fidelity. Together, we'll explore how both seasoned and novice investors can get in on the action, important details to keep in mind, and what you can do with some passive income options once you have it. Then next week, we'll focus on the newer up-and-coming opportunities for passive income, and discuss which of these strategies can help hedge against inflation, a topic that, not surprisingly, is of major concern for listeners this season. All right, let's get down to it. Meredith, welcome to the show. So excited to have you here.

Meredith Stoddard ([01:49](#)):

Thanks Alex. It's great to be here.

Alex Lieberman ([01:51](#)):

So let's start with laying the groundwork. Could you explain who you are, and talk a little bit about what you do at Fidelity?

Meredith Stoddard ([01:57](#)):

Yeah. My current job is to work at life events where I and a team are tasked with helping people to navigate tactical, financial, and emotional aspects of major life events, such as divorce, buying a home, changing jobs, or navigating the loss of a loved one. I've also spent years in roles that I helped clients directly with their financial life in a few other firms. In my personal life, I'm in graduate school for a sustainability degree, and I have, on the side, been involved in many passive income strategies myself over the years.

Alex Lieberman ([02:24](#)):

You are the passive income guru, so before we dive into details, could you clarify what passive income is, and just as important, what it isn't?

Meredith Stoddard ([02:33](#)):

Yeah. Passive incomes is a means of investing your time and/or money into activities that can generate income without having material participation in order to generate that income. Some examples could include renting out something you own, investments that pay dividends or interest, monetizable content, being a silent partner in a business, and many, many others. Keep in mind that the IRS does have specific guidelines around what exactly is "passive" and what the thresholds are, but for conversational purposes today, we're just talking about things that are not really your full-time paid job.

([03:04](#)):

The other thing to note regarding passive income is, to your point on the interest being really big, is our research team has identified three trends that are surfacing lately. One is that earned income through a regular full-time job is dropping, while unearned income is rising. So that's a rise in side hustles, freelancing, that sort of thing. The independent workforce is booming. So that's a lot of people going out on their own, and just trying something that gives them a little more autonomy. Like I said, side hustles have caught on. It's a big trend all over the place, and everyone wants to figure out how they can get in on the action.

Alex Lieberman ([03:39](#)):

So for folks that haven't necessarily figured out exactly how to earn passive income, but they want to dive in, what are some traditional go-to methods that retail investors can think about when looking to earn passive income?

Meredith Stoddard ([03:52](#)):

Yeah. There's a lot of traditional investing options, like buy-and-hold strategies, such as buying a bond ladder, buying an index fund, a real estate investment trust, or owning dividend-producing stocks, among many other options. I know next week you'll cover that in a lot more detail. Some other options that have come up a lot in recent years, there's a lot more platforms to do it than ever before, is things like renting out a room in your home, real estate investing, whether that's long-term renters, short-term rentals, renting out things that you have that others don't. I used to have a storage unit, and I charged \$70 a month in my condo. It was a tiny little condo, but there was a storage room and someone wanted it. So, it can be anything. It's not limited to a certain way of doing it.

Alex Lieberman ([04:33](#)):

Awesome. So I think that's a great explainer of what passive income is, and the ways in which any retail investor can think about putting their money to work into passive income investing instruments. Let's talk about the pros and cons of passive income. I think it's important to understand why these strategies have historically endured through economic ups, as well as downs. Can you walk the listener through key advantages, as well as drawbacks of these time-tested methods?

Meredith Stoddard ([05:02](#)):

Yeah, I'll start with the drawbacks. I think there's a couple of things to keep in mind. One is that the word passive can be a bit of a misnomer. I think about the short-term rentals that I've done. It involves a

lot of correspondence, and back and forth, and making sure that the person has a good stay, they know where to find the trash bins and everything. That's a bunch of little things that can add up over time. There's a lot of them that are set it and forget it, but there's a lot of them that do require ongoing engagement. There are a lot of ups and downs in certain areas, but some that have been around for a long time is obviously real estate. My grandmother used to rent out a room in her house in order to make ends meet when I was a kid.

[\(05:39\)](#):

Now there's just a lot more platforms in which you can do it, and a lot more shows on YouTube and cable TV that show you how you can spruce up a place to make it more viable. So, almost anything you can do is going to be cyclical to some degree. Some things like real estate can endure across generations. Other things may be a flash in the pan that are going to get some quick income, and then get out before it gets bad. I think the most important thing to keep in mind, regardless of which one you pick, is that you have a genuine interest in it. There can be a lot of drawbacks in following the crowd and just jumping on the bandwagon to do what everyone else is doing. I think there's something to be said for following your passions and interests, and growing it from there.

Alex Lieberman [\(06:19\)](#):

So, as someone who spends a lot of time just studying the media industry and consuming a ton of content, I've noticed so many content creators recently creating content about different ways to earn passive income. Again, from short-term rentals, to long-term rentals, to owning laundromats. I want to better understand, why has this space evolved? Clearly it's evolved in a way where a lot of people are talking about it, but what's actually driving that change?

Meredith Stoddard [\(06:47\)](#):

I think there's a couple of macro trends. So one is that COVID has caused a lot of people to question their lives in general, and how they're spending their time. The longevity of companies on the S&P 500, for example, is getting shorter. It's not the same kind of stability that our parents' generation saw, and so I think people are looking to hedge their bets a little bit more. Career goals are shifting for people. There's a lot of research showing that younger generations really want to be involved in their families, and recreation, and have other priorities besides work. That's causing people to look elsewhere if their work isn't as flexible as they want it to be. The Affordable Care Act has made it easier for people to get health insurance outside of their workplace, and so people are finding that gives them the autonomy that they crave.

Alex Lieberman [\(07:33\)](#):

You mentioned this a minute ago, and I think it's so important to hit on, because I don't want people to be disillusioned to what it means to be a passive investor. You mentioned that sometimes passive investments, or generating passive income isn't actually passive. You mentioned renting out your storage unit or short-term rentals. There's a ton of correspondence with the folks that stay in your place. Provide some more context for the listener. Is passive income actually passive?

Meredith Stoddard [\(08:04\)](#):

My answer is no. However, there are certainly some things that you're going to get into next week, the traditional investing vehicles. Yeah, there's absolutely a way to do that. What I'll say, is for things like real estate, I've been renting out properties for 25 years, long-term rentals, and I've seen a lot of landlords get into the business and try to think it's easy money. They get annoyed when someone calls

with a maintenance request. I think of it the other way, is I try to make sure that I'm providing a place to live that I would want to live in. I try to be responsive.

[\(08:36\)](#):

I remember having some renters, there were scuffs on the paint, and they asked if I could fix it up. At first I was like, "Seriously?" But then I was like, "You know what? If they care that much about the scuffs on the paint, then awesome. They are going to care about my place." It's worth investing in the unit, in the relationship, and over the long-term. So, you can say, "No, I'm not going to do that." Be more hands off. I tend to find that that's really a mutually beneficial win-win if you're actively involved, and actually care, and have a long-term view.

Alex Lieberman [\(09:04\)](#):

So I think you've set a really good foundation for listeners. We understand what passive income is now, what the advantages and disadvantages are when it is actually passive, versus not really actually passive. Now that investors have taken this knowledge, they've put their capital to work, and they've started to actually generate passive income streams, what are impactful ways to actually leverage passive income once it starts coming in?

Meredith Stoddard [\(09:30\)](#):

I would treat it like a separate bucket, regardless of how you use that bucket. Everyone's going to have very different priorities. If you have student debt, if you have credit card debt, if you're saving for a home, if you're trying to start a family, everybody's going to have different priorities. For some people, it's about building a nest egg that they can go off to the side that will enable them to launch off into something else someday. For other people, it might be you feed it back into the business and buy more real estate, start a second podcast.

[\(09:58\)](#):

The other thing that I think is important to note is listen to your instincts. To your point on a lot of podcasts and content creators, some of the content creators talking about the passive income, the content that they're talking about is their passive income. So they may or may not have actually made a ton of money on what it is that they're talking about, but their content is actually generating more income. So there is this click bait-y thing that can come up. That's why I'm really adamant about people thinking through what's going to work for them. What can they truly handle? What do they have the knowledge and expertise for, and what are they going to be willing to invest in as they grow their business, if you will.

Alex Lieberman [\(10:34\)](#):

You started to answer this, but I would just want to go a little bit deeper for listeners, which is a big question that inevitably investors will have as they become passive investors, is whether they should invest the passive income, whether they should use it to pay off debt, both, something else? What should retail investors or passive investors keep in mind before making any sort of moves, in terms of where to deploy that income that's coming in?

Meredith Stoddard [\(10:57\)](#):

Yeah, I think one of the most important principles to keep in mind is, diversifying your income strategy and your saving strategy is a really important principle that goes back. It's an investing principle that applies to your whole life as well. It's something that you can pour it back in, but if you're taking loans

upon loans in order to build this business and it doesn't go well, then you could be in trouble. I've heard stories of people mortgaging their house to buy crypto, and now they are regretting it.

[\(11:23\)](#):

So, I just think you have to be careful about, what does that mean to you? What are your options? If this falters or has a down cycle, then do you have a safety net? Do you have an emergency fund? I'd say you want to take a step back, whether you're passive investing or not. Take a step back and assess your strategy at least once a year, ideally a few times a year. Make sure you're clear on what your goals are. What's your risk tolerance? How do you want to spend your time? Then readjust accordingly, because as things change, your goals are going to change, and you want to be able to be nimble, and have a good sense of where you are, and where you're trying to go.

Alex Lieberman [\(11:57\)](#):

Makes total sense. Have one last question for you, and for you Fresh Invest listeners, hopefully you've been listening to the whole season. If you have, you know that we've been sourcing questions from the audience that we've been asking Fidelity. So one question that I have for you Meredith, from the audience is, how can you get into passive investing with little capital? I think it's such a great, question because people look at even what we were talking about earlier with short-term rentals or long-term rentals, and they're like, "Yeah, that's great in theory, but I don't just have hundreds of thousands of dollars to go out and buy a property." What is the thought process you'd go through if you're one of these investors?

Meredith Stoddard [\(12:33\)](#):

A couple of things. One is, get the image of what you see on the shows and the videos out of your head. I was a real estate agent right out of college, and I half joked that even 20 years ago, my job was partially to break people's hearts and help them level-set their budget against their expectations. There was always a compromise, no matter what the budget. So you have to rethink. It could be easy to look at the guy down the street who bought this really big house for no money and got a great deal, but you have to start smaller, or start in a different area, and pivot your strategy based on what you have to work with.

[\(13:09\)](#):

The other thing to keep in mind is there are some things you can do that are really small, like put out some content because you enjoy it, and then as time goes on, keep adding to it. Eventually it turns into something, but you might want to just start with something that has a really low overhead. Then next week when you get into it, there's a lot of investing strategies. We have a lot of zero minimum things that you can buy and invest in, and start really small, and dollar-cost average just a little bit each month. It doesn't seem like you're doing much in the first few months, or the first few years, but 5 years, 10 years, 20 years down the line, it really does add up.

Alex Lieberman [\(13:42\)](#):

So it's time for a reality check. Don't just watch TV and expect that that's going to be the way that you generate passive income. Assess all your options, and there are options for people who aren't trying to put a ton of money to work to start generating passive income. So just make sure you know what those are. Meredith Stoddard, thank you so much for all your insights, and for joining Fresh Invest.

Meredith Stoddard [\(14:01\)](#):

Thank you.

Alex Lieberman ([14:05](#)):

Thanks everyone for joining me today on Fresh Invest. I hope you now have a better sense of the traditional passive income strategies out there, and how you can leverage this capital once you have it. Passive income has always been an appealing way to build wealth, and the current market has only added to that allure. As more and more investors look to boost their financial security and build wealth, understanding what's worked historically can provide some super helpful context. Tune in next week to hear more about passive income. We'll continue this conversation by exploring some of the newer strategies that are accessible to everyday investors. There are some pretty innovative and interesting options out there that I look forward to chatting about. So stay tuned. I'll see you then.

Alexandra Bass ([14:47](#)):

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