

#56: Hailey Learns Asset Building pt 1: VC Investing & Building Funds

Hailey Thomas:

There's no right way for growing an online business, and honestly, me and my guests are more than fine with that. I'm Hailey Thomas and this is the podcast that lets you be a fly on the wall for candid conversations and mini-lessons, through a variety of online entrepreneurs who are growing their businesses based on their own visions. We're on a mission to normalize and laugh about the behind the scenes truth of achieving a new level of success in your business. This is One Year From Now.

Hailey Thomas:

Hello, hello. Welcome to this episode of the podcast. Really excited to be with you all and share what is going to be part 1 of a 12-part series. I'll be doing one a month and I'm titling it, because I am not creative enough to come up with a better name, Hailey Learns Wealth Building. So that's going to be the title of the series and it's exactly what it sounds like. I'm going to give you a backstory since this is the first session, the first time I'm doing this and tell you a little bit about what this series is going to be about.

Hailey Thomas:

A few months ago, my dad and I were on the phone and we were talking about a particular celebrity. I think I was the Olsen Twins. I can't remember who it was, but he was remarking at how they retired from acting. They hadn't been in movies in a really long time, but their net worth is millions and millions and millions of dollars, and he was making this remark like, "They're not doing anything and they're making so much money, residual money." And off the top of my head I went, "Well, they were on Full House and then they made a series of movies. They have 36, at least that I have counted, 36 movies. A lot of them went straight to VHS because this was the '90s and the early 2000s, but those continued to be profitable for them. They opened a jewelry line, they have a clothing line. They had perfume and a series of partnerships in books and in games about their most beloved characters. Both of them became fashion designers. They built multiple brands and that was two decades ago."

Hailey Thomas:

So all the money earned, basically, has been accumulating and earning interest and growing for more than two decades, at least, which by the way, I love the Mary-Kate and Ashley movies that they made. They were all the same exact plot and it didn't matter. I watched every single one of those movies. I loved them. So they were making money off of young girls like me and I'm not mad about it, because if someone wanted to watch Billboard Dad or It Takes Two right now, I would 100% be down. Anyway, I said all these things off the top of my head and had realized that my dad had gone quiet on the other end, and he just like took a beat and said, "Huh, honestly, I hadn't really thought

about it. Nobody taught me any of this stuff." And that conversation was the impetus for one of the concepts that I teach in my coaching and that I teach in Refuel, which is that working hard and creating money are two different skill sets.

Hailey Thomas:

And my dad was right. When he was growing up, he was being prepared to be an employee. He was being prepared to work hard. So no one was teaching him how to create value, how to create money. The idea being that if you put in a lot of hours, are able to work hard for an employer, that's going to create more money for you, but that's not true. Not at all. And we see that reality because we know lots of people have multiple jobs, work many, many hours and make very little money, and there are people that create lots of money, who don't work that hard or aren't spending hours trading dollars for their time.

Hailey Thomas:

So I talk with my clients about that concept, and I think logically it makes sense. Working hard is a different thing than creating money. They have some overlap, but they're not the same. But at the same time, I'm really seeing a lot of entrepreneurs not knowing the difference, struggling with separating those two, and it is frustrating and heartbreaking to hear the disappointment in someone's voice when they realize, "Oh, I've been focusing on working hard and not on learning how to create value or learning how to make money."

Hailey Thomas:

One of my proudest business accomplishments to date has been learning to separate those two skill sets and truly believing that I can create value without spending a lot of time and without working X amount of hours. So this series, and I actually wrote a whole post about this on Instagram, detailing the story with my dad and what came of it. So I'm going to link to that in the show notes. But basically, I decided that one of the things I was going to learn how to do, because making money is just a skill to learn like working hard is just a skill to learn, I'm going to spend 2021 learning how to create value.

Hailey Thomas:

And one of the things I did in support of that goal was to join, there was a community run by Codie Sanchez. She is an amazing cannabis entrepreneur and investor, and has really been focusing on building personal wealth and building assets in an unusual way. She's got a newsletter called, Contrarian Thinking, that I highly recommend because it is incredibly challenging to the way that I think, it makes me uncomfortable, which is great. And then she's also got this community that she created called Contrarian Cashflow, and it literally is every single month examining a new way or a different way to create cashflow, to create assets, to create money that has nothing to do with, I work this many hours and I get these dollars.

Hailey Thomas:

So this series is basically going to be what I'm learning, as a part of the Contrarian Cashflow group every month that we have a session, what I'm learning about the guests, what I'm learning about myself, what I'm learning about building assets, and you guys are gonna get to kind of follow along with me and see how I'm developing as an individual who knows both of those skillsets, working hard and creating money. So this episode is the very first of 12. There's one session every single month and I'm going to give you kind of what I learned and we're going to, in real time, do some investing. We're going to do some asset building in real time. So this is session one of 12 called Haley Learns Wealth Building. Here we go.

Hailey Thomas:

So the very first session of the Contrarian Cashflow community, say that 10 times fast, was all about raising a fund. This was all about venture capital funding. There's a new aspect of it called a rolling fund, and Codie interviewed a very successful entrepreneur named Shaan Puri, and he has, I mean, done all of the things, right? Like he's in tech, he has built a startup, he has sold the startup to Twitch, which is owned by Amazon. He has raised a fund, but the way he did it, and some of the new SEC private laws have allowed a lot of new flexibility in how fundraising can be done. So you can go and do your own research. I will not get all the way into it, but essentially when you have a fund, what you're doing is getting accredited investors to give you money and then you, looking for startups, looking for a tech businesses, to invest in, so you give them the capital in the hopes that they can use that capital to grow their businesses and then create a return for the investors.

Hailey Thomas:

So that's kind of the body that this conversation was around. But what I really want to share with you are the 12 things that I learned from Shaan or from this conversation and what my takeaway was from this. So I call myself technology adjacent and that I know the tiniest bit of code, like literally the littlest bit of code and I have worked for a couple of tech companies and SAS companies as an executive assistant, as a project manager, my corporate job was in HR and recruiting for a technology and management consulting firm, so I'm like on the perimeter of this community, of this ecosystem, and so going into this conversation, I really want to understand this particular aspect of money and how it works inside this ecosystem, as it pertains to having investors and fundraising and VC stuff, so that was useful for me.

Hailey Thomas:

To help me understand where I fit and how I fit in, if I want to be any further into this ecosystem than I am, just kind of on the periphery. So I'll get into that, but I'm going to start with the 12 things that I learned from Shaan and from Codie and this conversation. Okay, number one, Shaan said this, and I've heard this phrase before,

but he talks about how much his network has helped him and how much he helps his network.

Hailey Thomas:

So I think often when we are early to entrepreneurship, that we don't specifically see our network as a place to invest because we're predominantly looking for first customers or our first clients, but Shaan had mentioned how often he had a group of people that were wanting to get to 10 K subscribers on Twitter, mainly because growing your audience is really important these days and having an audience that's engaged is really important. So he has like a group of folks that he, they were encouraging each other and hyping each other up and sharing each other's things and so he was talking about spinning other people's flywheels and in turn having his spun as well, and so that's one of the first things I wanted to pull out, especially as I'm talking to my audience, which is predominantly first-generation entrepreneurs.

Hailey Thomas:

Once you understand the mechanics of running your business, the next step is, that next layer is really working on filling your network with high quality connections and not just high quality because they can do things for you, but people who want for themselves and have goals for themselves and their businesses that are bigger than where they are now, that are growing, that are moving in the same direction as you are, because it makes all the difference for encouragement and for accountability, but also just for the plain fact that you now have an audience that you can be in partnership with someone and kind of borrow their audience as you continue to roll out and experiment and try new things. So that's the first one, is be looking at your network and the quality of the people in your network.

Hailey Thomas:

Number two, I am regularly reminded and also so interested in how often very successful people will put learning over making the short-term dollar or the immediate dollar. So as we're talking about launching a fund or raising a fund, Shaan was talking about having people that worked for him that are zero salary roles, and they had different roles within the fund and scouting for new deals and managing the fund. But he talked about zero salary roles, really with the idea that first of all, the people would get paid, mainly because he would be splitting I can't remember what he said now, but splitting part of the carry or part of the management fees with them, but all of the successful people I know, have been willing to put their learning over short term dollars.

Hailey Thomas:

So I think when I was early in my entrepreneurship phase, the primary thing, the only thing was the dollars and so I would make decisions to get to the dollars the fastest, and once you kind of create some level

of stability in your business, really what becomes most valuable is your time growth, is the learning, and Shaan shared several examples of that.

Hailey Thomas:

But I often think of my clients and them making a decision to invest in coaching or not, it's not even about the dollars that they're parting with, it's really about what they're going to learn, how that's going to benefit them in the next six months when we're working together, a year after we worked together, five years after we worked together, what are they going to be able to do with the knowledge that they've gained from learning from me, or if they're investing in the way I'm investing in this Contrarian group, the stuff that I learn here, is worth 70 times more than the cost of joining this group. I'm not worried about the short-term dollars because long-term, what I learn is going to be way more valuable than the dollars that I give up right now.

Hailey Thomas:

So that's just one of those things that I think is very different if you were raised to be a W2 employee, if you're new to entrepreneurship, one of the things that you can start to think is, where's the most growth? Where's the most learning at? And if I have to trade it out for short term dollars, am I willing to do that, to get to ultimately the growth and to the stuff that's gonna, the things I'm going to learn that are gonna help me create 10, 15, 20 times the short-term money in front of me?

Hailey Thomas:

Number three, Shaan had mentioned this, and again, I think it's true for all successful entrepreneurs. They really don't worry about making mistakes. Mind you, they're not completely unburdened, but they don't worry if they are going to be wrong. They're actually totally fine with being wrong because this kind of piggybacks off the last point, what they learn in the process is completely worth them being wrong. And in fact, they have such trust in their own brains and trust in themselves and have the network that, if they make a decision that's "wrong," which by wrong, it really just means it doesn't create the outcome they were thinking making this choice would come, then they just buckled out and get to work strategizing on what's next. They just make another decision. So when you're a first generation entrepreneur, one of the ideas that came over for many of my clients is I need to make a right decision. There is a right to choice and I need to make it because when you're an employee, there is a right choice.

Hailey Thomas:

There is a choice that, there typically isn't a lot of room for experimentation and there is a choice that is going to get you the outcome that you want, which is I'm going to keep my job and I'm gonna

get this raise, and a wrong choice could mean losing your job or losing a raise, it's kind of similarly to standardized testing. There is a right answer, and there was a penalty for an incorrect answer, but switching your thinking for entrepreneurs, there are no right answers. They're just some answers that get you closer to your objective than other answers do. So Shaan was not phased, like the way he was talking about, he was talking about salary and about, raising the fund, he got through with actually the raising part, and then was like, "Oh crap. I have to like manage this fund."

Hailey Thomas:

And there was some things about him having a no management fee, that seemed like a good idea at the time and these are things he said, very candidly, which I appreciated, "It seemed like a good idea at the time but if I did it again, I would probably do this. But since that is a decision I made, I'm just going to make another decision about how to handle it or how I want to experience the decision that I have already made." So successful entrepreneurs are totally fine being wrong. They're not worried about being wrong because they trust their ability to make more decisions that are going to get them closer to their outcome, even if it's not in one decision, they're going to do it just perfectly.

Hailey Thomas:

All right. Number four, successful entrepreneurs are not worried about whether or not they're ready. Ready doesn't actually matter, at all. Shaan had said he's a kind of shoot first and ask questions later, and he has been very, very successful building in public, which is what he calls it, which is doing things like raising this fund via Twitter and talking about it the whole way and then having a conversation with Codie and other people about what worked and what didn't work. He's not "ready." He hasn't done this before. He has some experience that is helpful, but he hadn't done this before. I'm also looking at Codie building Contrarian Thinking, this media company, she's never built one before, and she's not necessarily, there isn't a way to be "ready" for it, they're just going to build it and kind of shoot first, or at least not wait to feel complete comfort and not wait to feel completely like, okay, all the pieces are in place to move forward. No, just go and start moving and trust yourself and trust your brain that you will figure out the steps as you go. All right.

Hailey Thomas:

Number five, I think this will become more and more important, which is why I'm mentioning it and is a new thing for me to truly understand and learn, the most successful people right now are leveraging technology and audience building at the same time. Those go side-by-side. Codie has an excellent article on her kind of newsletter and on her site about Joe Rogan and the Spotify deal, Spotify bought Joe Rogan out for millions of millions of dollars, but what he's going to lose in this process is his audience, because those audience now

belongs to Spotify and I'm finding more and more and want to do more and more research of my own about how to kind of connect audience and technology, because that's going to be how money is made in the future.

Hailey Thomas:

You don't have to work that hard when you have an audience that trusts you. You don't have to actively be selling all the time when you have a solution that works, and I want to continue to look for the connection between tech and audience. All right, number six, look for a repeatable process and just do that. So for all of the ingenuity and the creativity that comes with being an entrepreneur, there's some things that you can just do when you see are successful. Shaan was talking about how he looks for repeatable success. So there are a handful of questions that he said when he's looking for startups and stuff he wants to invest in, or even as he's building assets, where does this piece fit into the market? What is the frequency of use of this piece? So he was talking specifically about like tech startups and like the tools they were building and how fast is the innovation cycle?

Hailey Thomas:

Like the innovation cycle of hardware takes time, versus technology can be very quick. So that was something I pulled out was that even though you can be creative and have fun being original, you don't actually have to be original to create money, to create assets. You can actually just look for repeatable things by asking a handful of questions and look for the places where success has already been had, and then you just do that. All right. Number seven, Shaan, and Codie is too, are very well networked and through your network is how you get invited into deals. So again, we're specifically talking about VC funding and talking about investing in startups, but one of the first things I talk with my clients about, when they're rolling out a new product or a new service offering, is great, I want you to pre-sell this to your network. Who do you already know, what clients you already had can use this additional service?

Hailey Thomas:

Because that's where deals happen. That's where there's money to be made and your network can get you invited into those conversations, so even if it's not one of your clients who can use your new offering, they probably know someone. All right, number eight. Shaan made a comparison between doing deals like a cow versus a lion, and what I took out of that was this idea of agency. So again, if you've followed me for any amount of time, when you are, I make that distinction in my coaching, so when you are an employee, you kind of have to wait for your boss, you have to wait to get assignments, you have to wait to be given projects and opportunities are given to you. The mindset of a successful entrepreneur is that you can create opportunities.

Hailey Thomas:

You create speaking gigs, you create your network, you create clients, you create revenue, you create assets. You don't actually have to wait for anything to happen at all. And I think that's one of the places, the realization that you really do create the experience that you have and letting that give you radical responsibility, but also agency to change the experience you're currently having if it is not what you want, is incredibly powerful and I was pleased to see it come up in what Shaan said. Number nine, Shaan talked about doing one big thing, every day, and not trying to maximize the number of things he gets done. So this was a little piercing to my little used to be a virtual assistant, used to be an executive assistant, heart, but sometimes we make productivity the ends, when really it's just the means to an end.

Hailey Thomas:

So Shaan talked about how he has just one big thing and he focuses on the outcome that he's looking for, and then just does the things that move him towards that outcome, and doesn't worry as much about the small details or maximizing his time, because even if he only gets one important thing done, it moves him closer than the person that's doing 12 dozen not very important things every single day, even if that person does 12 dozen not very important things, very well, even if they do it in a color coded calendar and their to-do list is rocking, if they're not the right things then it doesn't matter. So he was talking about, to me that's a nod to the quality of the tasks that you do, and the quality of the things you spend your time on, which we talked about a couple episodes ago.

Hailey Thomas:

All right, number 10. So one of the things with investing in startups is that you're not going to win all the time and that's okay. Shaan was talking about how he has within his business now, they create, it's something called a memo and he again, had a really awesome simplistic way of talking about creating this memos, but it's basically what is this business and what do they need to continue to grow? And what are the pitfalls and what are the things they're going to do right? What are the things they need to do right, to grow and be a good investment? Where are the places where they might fall short? And in investing, you use these memos to make a decision about whether or not to invest in a company.

Hailey Thomas:

And Shaan had mentioned that there are a few companies that he and his group decided to pass on and then come to find out, they're like, blew up into this amazing thing and I was so impressed or thought it was really mature that Shaan's reaction wasn't like, "Oh my gosh, we missed it. Oh my word, there was only really one way to success and now we've missed it, and we're just, this isn't going to work." No, you move around in that space, or he moves around in that space, knowing that he doesn't have to win everything, knowing that he will

miss opportunities, and that's okay. What's important is that he then gets with this group and evaluates, which if you were one of my clients, we talk about this all the time, fricking evaluate everything. What did they miss? Why didn't they invest in this company? What made them say no? And sometimes, like he said, sometimes the answer was just that the thing that, Shawn's analysis said they were going to really struggle with. They actually, they figured it out.

Hailey Thomas:

And so you can celebrate with them. Like, that's awesome. They figured that piece out, the hiring or the go to market or the heart, like they figured that part out. That's awesome. So the idea is to constantly be learning and to just know that you're not going to win everything. So for my clients, you are not going to say yes to every opportunity. There will be more opportunities, and it's perfectly fine if you miss an opportunity, because the only thing making you feel bad is your thought that there will not be more, and this was the one, the one that was going to solve everything magically for me. When in reality, no, there'll be more, especially if you're in the mind that you create opportunities all the time, so it's okay. Evaluate and make sure you understand why it was a no for you, at that time, and if another one came, how might you handle it, or what might you do differently? Simple as that. All right.

Hailey Thomas:

Number 11. I just thought this was really thoughtful and has not been in a way that I have heard it before. So Shaan was talking about investing in Bitcoin and E-sports, those are just big areas of investment right now, especially those in tech and someone in the group had like asked what are his thoughts on it? And one of the things Shaan had said in response, especially as it pertains to E-sports was like investing in any one of the teams is really not all that fruitful, like it's not a good investment because when a team has a really good player, that player often splinters off and starts another team of really good players, and even though E-sports, the industry is very young, you've seen that happen a couple of times.

Hailey Thomas:

Like players will be like, "Wow, I don't have to actually split my winnings with this team. I can just go start my own team." And it's kind of growing in that manner. So anyway, the question that Shawn asked, which I thought was so brilliant, as it pertains to investing is just who captures the money, who captures the money? Like where does the money always end up, even if things shift around? And so in the example, E-sports, if you guys know who Ninja is, go look them up. E-sports, Ninja, very popular gamer, has made loads of money, he's excellent at his craft. Anyway, he was with one team and then he splintered off and created team Ninja, and if you had invested in his original team, you'd be out some cash. It's not performing as well

with him, but you know who always wins, regardless of where Ninja ends up? The game, Overwatch. The game that he plays. The company that owns that game and builds that game.

Hailey Thomas:

They, no matter where players go, collect dollars. The players and the teams get fans all excited and fans buy more of the game, so that's just one example of the answer to the question who captures the dollars? Another example is in Bitcoin, Bitcoin is wildly violent in its kind of up and downs, and that's fine. This, and I don't know if Shaan talked about it or if I just applied my own analogy, I do not know enough about Bitcoin to invest in Bitcoin, but I can't ask myself the question, who captures the money? And regardless of how big or small Bitcoin gets, or how it fluctuates, I think it's only going to increase as we move forward, over the next several decades, but the trading group, Coinbase, always wins, no matter what Bitcoin does, there has to be an exchange place. There has to be a way for people to exchange Bitcoin and sell Bitcoin.

Hailey Thomas:

Coinbase is one of those places, so they will always be "winning," they will always be capturing money. So I just thought that was a clever way to think about, when you're thinking about investing, think one step past the current dollars. So this isn't necessarily on the business side, but I think a lot of my clients are business owners as a first step to being entrepreneurs and building legacy and wealth, and this is one of those questions that can just kind of cracked open my brain and had me looking at and thinking about brand new things than I had before. So I wanted to share that with you for a number 11.

Hailey Thomas:

Okay. The last one is number 12 and this kind of will roll into my conclusions after this first session. So Codie had asked, and I don't know if it came from the community or she had asked, if you had to do this all over again, and you didn't have a background in tech and you didn't have your network that you have now, and you were starting completely over, how would you get into VC funding? And I loved Shaan's answer because it was so candid. And he said, I wouldn't. I loved that so much. He went on to explain that this is a game that you play when you are in technology, when you are well versed in how tech companies make money, when you are well connected, and without those things, it doesn't really make sense to play this game because it is so speculative and risky and highly volatile in some cases.

Hailey Thomas:

If you look at the portfolio of tech investing, as a whole, as an asset class, there are some big winners, but there are a lot of like mediocre winners too or people that don't win at all. So his response was just that I wouldn't. He went on to say, "But if I was going to, what I would do is start to write memos and basically learn everything

from the bottom up and then work into it," but the reality is that not every asset class is going to be for you and not every opportunity is going to be one that you must capitalize on, or you're never going to be able to create the legacy that you want. No, there's a lot of ways to make money, loads and loads of them. Your job is to understand and take your time and work through what it makes sense for you to commit your time and energy and money and attention to, and what it doesn't make sense to.

Hailey Thomas:

So this rolls into my conclusion and my biggest takeaway is that, first of all, I am not personally cashflowing enough to be an accredited investor. There are certain levels of annual income and personal income that can't include your residents and all this stuff. Like you have to become an accredited investor. And to be honest, I just don't care that much to do that. I am not going to be reading memos and following companies, I might read them if I'm interested in a company to learn more about them, but I have no intention of spending my time like that. I am technology adjacent. I am not in tech. I am not in finance or finance as one of my friends says it, and the truth is I don't want to be. And I'm okay with that.

Hailey Thomas:

So because I will not become an accredited investor and I have no intention of reading memos and joining syndicates and following these companies, I'm not going to. What I am going to do though, because I do still really enjoy being on the outskirts of tech the way that I am, and following these stories and nerding out about leadership and some companies like that does interest me. So as per Shaan's question, who captures the money? I am going to be investing in Bitcoin managers, and by that, I mean like Coinbase, or to have Bitcoin, you have to have a hot or cold wallet, depending on how much trading and moving you want to do. There's a lot of accessories and those people, regardless of what the value of Bitcoin is, unless it goes down to absolutely nothing, which I don't think it will, are always going to be capturing money. So I'll be investing a little bit of money in Bitcoin, a little bit more of it in some of these accessories.

Hailey Thomas:

I want to find a fund that targets founders that are BIPOC folks and put some money there. None of this is with the intention to make big bucks. I will not be investing enough money to see massive returns, but I do want to invest enough that this at least is like, I'm always thinking about it or at least thinking about it with some regularity and knowing that I have stake in this space and can move in this space without being fully immersed in it, in a way that I just do not care to be.

Hailey Thomas:

So that's my first month summary of what I learned from wealth

building. When it comes to VC funds and building funds, turns out I just don't care that much. And I'm okay with it. I have a plan moving forward. I think next month, they're talking about tiny homes and land ownership, and since my husband's family owns farmland and my husband is a huge outdoors man, and we considered buying a tiny home and traveling at some point in our lives and we enjoy travel, that might be more up my alley. But in the short term, I'm perfectly happy with moving on to other opportunities, knowing that there are a million ways to build assets. So thank you for joining me for this episode. The next one will be in another month, and my goal is to end the year with just two or three ways that I feel really passionate and excited about to build assets, and I'm just sharing it with you so that you can learn alongside of me.

Hailey Thomas:

So if you've got questions, let me know. If I said some stuff wrong about VC funding and you want to correct me, totally fine. Let me know. Otherwise, I will see you on the next episode.

Hailey Thomas:

Thank you for listening to this episode of One Year From Now. You can find the show notes and all the links we mentioned at brainspaceoptimized.com/podcast. And if you want to chat me up about all things entrepreneurship, then head to brainspaceoptimized.com and join my email list. This is where we have rich conversations about the experience of business ownership. It's thoughtful. It's funny. I like getting responses and chatting with you all. It's a good time. Lastly, you can find me on Instagram @brainspaceoptimized. We will see you in the next episode.