

SECrets to Investing

SPECIAL EPISODE: Interview with SEC Chairman Jay Clayton

Guest: Jay Clayton, SEC Chairman

Vadim: Hi, and welcome to this special episode of the Teacher Outreach Podcast. I'm your host, Vadim Glukhovsky, and joining us today is the SEC's very own Chairman, Jay Clayton. Welcome, Chairman Clayton. It's so exciting to have you with us, and it's really my privilege to speak with you today.

Chairman Clayton: Vadim, I'm honored to be with you. The work you guys do to protect teachers and — in the area of education is just tremendous. So, I look forward to this. And I just want to thank you at the outset for all that you and your colleagues do.

Vadim: Thanks. Thanks again so much for joining us. And we really appreciate that. So, here's our first question. You've been invested in the Teacher Outreach Initiative since the very beginning. Can you tell us why this project is so close to your heart?

Chairman Clayton: Well, Vadim, there's a number of things. We have a commitment, as you know, to retail investors, generally. And I look at teachers as a special class of retail investors. They work hard. They care about other people. They're generally in their job for the long term and their investing horizon is generally for the long term. And we should be looking out for them. They look out for other people. We should be looking out for our teachers. And I know the San Francisco Regional Office staff — you're a member there — you recognized this long ago. And you've done great work to make sure that our teachers understand what they're buying, understand what they're paying. And to the extent that people have charged them too much, getting them their money back.

Vadim: Absolutely. And what do you hope that this outreach program is going to accomplish?

Chairman Clayton: Well, a few things. Transparency. Teachers should know in their investment products, particularly their retirement products, what they're getting and how much they're paying for it. I've met too many teachers — and I know you've met more than I have — who don't know what they're paying and aren't sure what they're getting. The second is education. Not just for the teachers themselves. But teachers are educators. To the extent they have a greater grasp of the financial concepts that you need to have a — I would say not only a good investment strategy, but an overall strategy of financial literacy and to be a good shopper for financial products — that education component is extremely important.

Vadim: Yeah. What, in your view, what can teachers do to ensure that they have retirement security?

Chairman Clayton: Well it's not just about investing. It's about getting your financial house in order as quickly as you can and keeping it in order. One of the things that I like to remind people is that we live in a credit-based economy. Credit is generally available not just to buy a home, but to buy a car, for consumer goods, credit cards, and the like. The happiest people, as they approach retirement, are often the ones who started investing early, but also got their high interest rate credit under control as early in their adult life as they could. It's okay to have a mortgage. It's okay to have a car loan. Generally, they are not high interest rate instruments. You should know what you're paying. But when you're paying really high interest rates over a long period of time, getting rid of that is the best investment. In fact, I tell people, Get rid of that as quickly as you can. I'd rather have you get rid of the 18% credit card debt than start investing. You're not going to find many investments that pay you 18%. So, pay off your high interest rate credit first.

Vadim: Yeah, that's really good advice for our listeners. Now also for our listeners, if you're interested, these topics are covered in a lot of detail in podcast Episodes 2 and 3. Chairman, what practical advice do you have for teachers before they invest?

Chairman Clayton: Look, every investment plan should be tailored to the person. Like I said, first thing is make sure you have your financial house in order. Second, I look at who's happy over the course of their investing. People who invest regularly, monthly, an amount they're comfortable with. You know, all of a sudden, over 10, 15, 20 years, they're surprised at how well they've done. Have a cash cushion so that you can continue to invest. I often see people who start investing and then they run into a hiccup in their lives where they need some cash. They stop investing and then they don't get started again. So, try to maintain a cash cushion. And then, on selecting your investments, we have a system where your financial professional should register. Whether they're an investment advisor or a broker-dealer, they should be registered with the SEC or the states. Part of that registration means you can find out about them. Go to investor.gov. Let me say that again: investor.gov. Research your financial professional. If they have disciplinary history, if they've had problems, it'll show up on there. If they have those kinds of things, think twice, think three times before you work with them. There are plenty of good ones. You don't need to take a risk with one that's maybe suspect.

Vadim: Yeah, that's very important. So, many teachers have a very limited time that they can dedicate to figuring out what investments are right for them. What should teachers do to still take advantage of the benefits of investing?

Chairman Clayton: Let's start with a few basics on the — what I'll call on the positive side. Know how much of your money is going to work for you. Whoever is offering you an investment product or an investment strategy, ask them: "If I give you \$100, how much of that money is getting invested on my behalf and how much is going to costs, fees, expenses, and otherwise?" Understanding that is very important. That cost number should be low. And the good news is, it's much lower today than it was 20 years ago, than it was 30 years ago. More of your money should be going to work for you today than it did in the past. Then look for the signs that something's not right. High-pressure sales tactics, you know, long commitments to a particular product, guaranteed returns. Those types of things should make you scratch your head. If somebody's telling you, "I have a guaranteed high return for you." Tell them the SEC Chairman says: "That doesn't exist."

Vadim: I wanted to also mention that the Teacher Outreach podcasts are designed to cover those topics that would be most helpful to our educators, including why teachers should invest for retirement, even with a pension, an overview of the 403(b) and 457(b) plans, and how to avoid fraud. We'll continue to introduce new episodes regularly to help our educators.

Chairman Clayton: Well, I'm glad you mention that, Vadim. One of the things about investing is you should continue to keep yourself current and remind yourself of these things. So to the extent you keep these outreach programs going, podcasts like this, tools, et cetera, I encourage people — I've encouraged teachers to look at them on a — you don't have to do it on a daily basis, you don't have to do it on a monthly basis, but plan to do it on a regular basis. Check in with where you are, look at the tools, and if you have the time and you have the ability. And talk about it with your students.

Vadim: Mm-hmm.

Chairman Clayton: Now these are life skills. And the earlier you learn them —

Vadim: Yeah.

Chairman Clayton: — and the more you keep up with them, it's, you know, it's kind of like just good hygiene. It's like going to the dentist. It's like going to the doctor. You want to get these skills early and then, you know, keep refreshing them. And you don't have to do it every day. You don't have to do it every month. But you should do it quarterly, twice a year, at least once a year. Refresh your knowledge. Refresh where you are. Talk to your students about it.

Vadim: Chairman, we really appreciate that you find the podcast useful and that you made time for this interview. So, beyond the Teacher Outreach Initiative, what are the SEC's other roles in assisting this nation's educators?

Chairman Clayton: Well, we touched on it, Vadim. And look, we want good ideas in how to help our students and people early in their lives become financially literate. Financial literacy is critical to being a participant in our society. Like I said in a few questions ago, we live in a credit-based economy. You're going to be exposed to credit. How to shop for that credit. How to make sure you're not overpaying for borrowing money. How to invest. How to think. How to budget. These are essential skills to participating in our economy. And any way we can help, through teachers or otherwise, raise the level of consciousness around these matters is important to me.

Vadim: Thanks for that, Chairman. And I have to ask, other than what you've described, do you have a personal connection to educators?

Chairman Clayton: Well, I do. I have lots of personal friends who are teachers, some who I'm very close to. We went to high school together. Which brings me to a high school teacher who I had, a teacher of American history. And I'll even mention his name: John Cinelli. He wouldn't mind. But he imparted to us how much of American history was really economic history, and that understanding economic concepts, being financially literate, was an important part of participating in our society. And it was wonderful to learn that. I had — I did not have much exposure to it, other than through Mr. Cinelli and I'm forever grateful to him.

Vadim: Oh, that's — yeah, that's great. Thank you, Chairman, for sharing that personal story with us. Do you have any final advice for the Teacher Outreach team?

Chairman Clayton: The Teacher Outreach team. Keep up the good work. You are doing the SEC proud. Keep engaging with our educators. Help educate them. Learn from them. Protect them. And you know, I don't want to — I want this to be a positive, not a negative, note. But, to the extent anybody is taking advantage of our teachers, go get them.

Vadim: Thank you, Chairman, for your time, your thoughts, your advice, and your continued support of this initiative to help our educators.

Chairman Clayton: Vadim, it's my pleasure. Just keep up the great work and thank you.