(P08) The More You *Don't* Know!

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I had an epiphany the other day when thinking about the business model behind *Statista*. As a data broker, Statista uses the freemium model, where a basic product or service is provided free of charge but more other higher-quality services are available for a premium subscription. I realized that certain information is effectively on a *need-to-know* basis, where unless your (expected) value of that information is higher than the subscription cost, you are locked out of extra value. Entities with the context or resources to interpret and leverage that data gain a significant advantage over those who don't (see e.g., Glossary: Data vs Information, by US Gov).

As retail investors, we generally don't know what data is important to us. One option is to learn enough about economics and finance to recognize what you don't know. We can read the entirety of the Investopedia dictionary. Another approach is to position yourself in a career or business position where your interests are dependent on certain concepts, such as Forex or commodities prices.

Below are just a handful of concepts I've come across, navigating a career in my early-to-mid 20s, that I didn't know back in college. This is to exemplify that, if you don't personally take an interest in learning about certain topics, you won't have the wherewithal to take advantage of opportunities as they present themselves.

- Retirement and Taxes
    - Roth IRA
    - Backdoor Roth conversions
    - HSA (triple tax advantage)
    - 401k vs Roth 401k
    - 529 accounts (college savings accounts)
    - EITC
    - RSUs
    - Blackout periods
    - Charitable giving as a way to work for organization A on behalf of organization B, at a higher salary rate, without invoking a separate taxable event.
    - Credit card fees are 3-4% per transaction. That's a tax in and of itself, just not to the government.
- Real Estate

    - Itemized deductions
    - DSCR Loan
    - 1031 Exchange
    - $250k/500k home tax exclusion
- Bonds
    - Bond rates versus prices
    - Inverted yield curve
    - CME predictions and how probabilities of interest rates are priced into the yield curve
    - Yield curve control and financial repression [Rose, J. (2021). Yield Curve Control in the United States, 1942 to 1951. Chicago Fed.]
    - Taxes on bonds and social security
- Business
    - 501c3 (and other tax advantaged businesses)
    - Sole proprietorship vs S-Corp vs C-corp (see e.g., Tax-Free Wealth by Tom Wheelwright)
    - Bootstrap financing
    - Bridge loan / escrow financing
- Nontraditional strategies
    - Optimal portfolio allocation and rate of rebalancing
    - Calls, Puts, Spreads, and options trading
        - Covered calls; cash-secured equity puts
    - LEAPS and Stock Replacement Method
    - Rules for Accredited Investors and Qualified Purchasers, including private equity. See Fidelity [Private Market Alternatives for eligible investors].
    - Direct indexing (see [Youtube short])
    - Technical Analysis and Fundamental Analysis
    - Tail Hedging
    - Yen Carry Trade
        - Understand when an arbitrage opportunity gets priced out of the market
    - Pre-IPO equity and alternative investments
- Economic terms
    - Net Present Value
    - Supplementary leverage ratio
    - Moral hazard
    - Robber barron
    - Risk of Ruin [wiki]
    - Optimal stopping [NYU G63.2706 2011, lecture notes]
    - Order flow

    - Market makers
    - Tax loss harvesting
- General concepts
    - Set your exit before you enter
    - Risk management through position sizing
    - Rebalance your portfolio quarterly (or on some other schedule)
    - Watch your worst case. For example, for a loan your decision thresholds could be: 95% likelihood of losing no more than 25% of the investment borrowed, and 100% likelihood of losing no more than 50%. Thus even if you estimate the probabilities wrong, you know your maximal opportunity cost against the baseline (which is often doing nothing).
    - (Local) tops of markets are where there are no more buyers; (local) bottoms are where there are no more sellers.
    - Do risk-to-reward rates change depending on after you enter a trade? For instance, if your stop loss is at -5% and price target is +50%, when you enter a trade, does this change depending on the stochastic path of the underlying asset?
    - You don't "make money" (only banks do that); you enable the velocity of money to speed up.
    - Asymmetric bets
    - Leverage (other peoples' time, software, investments, and subject matter expertise)
    - Don't hold more than 10% in one asset. Eg. On Feb 20, 2026, GRAL fell 50% overnight. Stops don't protect against that, only puts/shorts do, and those carry their own risk and costs when applied across the board.