[Begins at 00:04:11]

Jaime: Welcome to "Eventual Millionaire." I'm **Jaime Masters** and today on the show we have Matt Bodnar. He's actually an accidental podcaster but also an investor and a real estate partner in Fresh Groups and also a partner in Fresh Hospitalities. Thanks so much for coming on the show today.

Matt: Thanks for having me, Jaime. I'm super excited to be here.

Jaime: So I love getting introductions to amazing people. He's like, "This guy is amazing," – he called you a kid, though, I'm pretty sure, too, because you look so young – but you're amazing. Can you start going through your history and how you've done what you've done so far? Because I think people will be ridiculously impressed.

Matt: Yeah, absolutely. So, yeah, I definitely have a young face, by the way, but I'm pretty sure I'm actually older than the person who introduced us to each other.

Jaime: Seriously? Good.

Matt: Yeah, so that's really funny that he called me a kid. But anyway, my background – I'll give you the short version of the story. I call myself an investor and an accidental podcaster. The whole podcast thing, we can get into that later but I'll tell you about my investing world because I think that – at least immediately – would be more relevant.

So I'm a partner at a company called Fresh Hospitality and Fresh is an investment vehicle that invests across the food service and the food spectrum so we invest in everything from farms to production facilities. Really, the two biggest pieces of our portfolio are restaurant operations, and restaurant investments, and commercial real estate development. And then we also have a number of smaller service companies in and around that ecosystem that support the other pieces of our operations like technology, accounting, marketing, etc.

And so I originally, out of undergrad – I majored in Political Science which had nothing to do with my job – and then I went to New York and I worked at Goldman Sachs for a couple of years. After that – or during that – my brother and my dad, they had been in the restaurant business and they were starting up this company called Fresh. So, I am not a founding partner of Fresh but I am a founding partner of a couple other investment vehicles which we can get into. But they were starting this business up and I was at my desk, crunching away at 16 hour days at spreadsheet hell and, eventually, I would always come home for Christmas Break or whatever else and they were doing this awesome stuff and, eventually, the opportunity cost of staying the Wall Street course versus doing something more entrepreneurial – get involved in early stage businesses, etc. – was too great to pass up.

And so I moved back to my hometown of Nashville, Tennessee and that was about five years ago. And, to give you some color, Fresh, again, I said the two biggest pieces of our portfolio are restaurants and real estate. Within the restaurant vertical, when I got involved, we had about 43 units across about four different concepts.

Today, we have about 15 different concepts comprising about 155 units and we do cross the different businesses that were just in the restaurant vertical – about $230 million in annual revenue. Within the real estate portfolio, I cofounded our real estate investment company – it's called the Fresh Capital Group – and, to date, we have a portfolio of about $325 million of assets. We also have there that are operational. We also have a development pipeline of about $90 million of projects that are in some form of construction or whatever else it might be.

Jaime: Okay. I have so many questions. Hold on.

Matt: So that's – Yeah.

Jaime: See? Everyone's like "Whoa." Okay. So, No. 1 – your dad and your brother, did they have this as experience before? I know you said they were in the restaurant space but this is – an investment company is huge – did they do that beforehand?

Matt: So they started out as restaurant franchisee in the Wendy's business and that's how they built their expertise. And then they evolved into doing more transactions where they would help somebody out or casually put some capital into their business and help them grow it. And then they formalized that company is about 2008 into Fresh Hospitality.

Jaime: Okay. So let's actually break this down for people because I don't think –

Matt: Definitely.

Jaime: Especially entrepreneurs, I don't think they understand the investment side of this. So tell us, brass tacks, what you guys do and how you make money so that everybody's on the same page and they understand because you're saying numbers like $325 million and everyone's like, "Oh, that's great. Whatever," – tuned out because they're not there yet. So give us the brass tacks.

Matt: And we'll use restaurants as the simplest example, I think. So, basically, our core business model is in the restaurant segment. We invest in early stage restaurant brands, typically, within the fast casual vertical. So, if you're familiar – well, I guess everybody's probably familiar – with Chipotle, Panera Bread – those are emblematic fast casual brands. And there's a headwind now with healthy fast casual concepts like Sweet Green and things like that. And we focus on the barbells of fast casual. So, when I say that, I mean we either focus on extremely healthy concepts or we focus on extremely indulgent concepts. So, within our –

[Crosstalk]

Jaime: Oh, you can have both. Right? Of course.

Matt: Yeah. Reality is what we found is the millennial consumer and the trends that are happening right now, consumers don't want to eat in the middle anymore. Right? Nobody goes to – Sorry, but nobody goes to Denny's or Applebee's anymore. Right? If I'm going to eat – typically, I'm going to eat healthy but, if I'm not going to eat healthy, I don't want to go to McDonald's – I want to go to some place where I can get duck fat fries and biscuits and all kinds of crazy stuff.

Jaime: If you're going to do it, go big. Go big or go home. Okay?

Matt: Exactly. So, anyway, backing up, so what we do is, typically, we invest very early stage – so one to five units – and we leverage our infrastructure. So, like I said, we have a number of other companies that we've created that do – We have a company that just does accounting. We have a company that just does technology. We have a company that just does marketing. And so, when we invest in a very early stage restaurant concept, we basically plug them into our accounting package, our technology package, etc. to help them scale up. And so our huge focus is – Sorry. Okay, sorry. Got it.

Jaime: No. I was just – Okay, question. I know you're a podcaster so you're used to this – you're like I will tell everything.

Matt: I will talk all day so you've got to interrupt me.

Jaime: Good. This is why video's important – I can raise my hand. So why invest in one to five units? Why not do the startup phase? Because you know the space extremely well – why are you not the one creating it all?

Matt: Our mission is to help entrepreneurs grow and it stems from trying to find and work with really passionate people that we think we can help them be successful. And, like I said, we have about 15 concepts in our portfolio – of that, we've created maybe two or three of them so we have done the startup piece of it. But, typically, what we like to do is we like to find a concept that already has traction – it's already validated – has a great founder behind it so we already have someone who's going to work the business day-to-day and be the operator.

And, really, what varies, typical of the restaurant business, is people struggle with the systems, processes, the scaling side of the business. Most restaurant founders are artists, essentially. Right? So think of them almost like a musician, or a musical artist, or creative. And they want to focus on food, they want to build the cool interior, they want to care about the individual guest experience. What they hate doing is crunching the numbers, and doing their point of sale system, and dealing with all of the technology on the back end. So we layer in all of that stuff and take care of what's called in the restaurant industry – there's a term of art, "the back of the house," they call it – we take care of the back of the house and basically help them focus on what they're great at which is the creative side of the business.

Jaime: So why restaurants? Restaurants seem really volatile. Right? Out of every industry that you're going into, that seems like a crappy one. Why would you pick that? Just because you had experience in it before with your dad?

Matt: Yeah. So they definitely had a background in that space but I think the question is restaurants have a reputation for being a risky industry. Ironically, I think, given the changes that have happened with e-commerce, with the internet, with everything else, restaurants are turning out to be one of the most stable, and predictable, and undisruptable revenue streams that are out there. Right? And there are companies out there like Soylent and some other who are investing – and they're on the fringes – that maybe would change the fundamental structure of how people eat but we make food investments that we're hoping to ride some of those trends, as well, so we recently invested in a vertical farming company that was founded by Elon Musk's brother. So we're trying to hedge our bets a little bit, too.

But getting back into the brass tacks, the numbers, of it, it's all about returns on capital. Right? So we look at – and I can break down what that means and how to think about that – but restaurants are considered volatile because they have low margins. Right? An average restaurant, one dollar in sales, you get five cents – five cents is the bottom line – which is very low. But, if you think about it, one, with the technological and process focus that we have, we're able to expand our margins and get them into the low teens, even twenty percent in a high volume location. But margins don't really matter that much as long as you can operate the business successfully. What matters are returns on capital. Right?

So, if you're putting up – and I can give you some ballpark numbers from one of our concepts – We have a concept called Taziki's Mediterranean Café. We invested when they had three stores. We layered in all our systems and processes. Today, they have about 65 locations and we're hoping to have 80 up by the end of the year. So Taziki's – again, it changes and varies quite a bit but let's just use some round numbers – an average Taziki's costs about $500,000 of capital to start up a single store. Right? So, for that $500,000 – And an average Taziki's does about $1.5 million in sales. Right? And, I mean, these numbers change and they vary by location, etc., but we'll just use round numbers. So, if we're looking at a 10 percent margin on that, that's basically $150,000. Right? And let's even just look at a 5 percent margin here. I'm going to bust out my calculator, here.

Jaime: Oh, yeah. I love this.

Matt: If you're looking at a 5 percent margin on that, that's basically $75,000 a year in profits – as a 5 percent which is the industry average. We can do much better than that. If you invest $500,000 –

Jaime: But you, as the investment company don't get all the profit, do you?

Matt: Well, yeah, we don't but that's – we'll get into that in a second – but I'm just talking about unit level economics of why the restaurant can be a compelling business.

Jaime: Okay.

Matt: Right? So, if my store, if it costs me $500K to build it; I do $1.5 million in sales, and I make a 5 percent margin – which is the low-end – that's $75K a year off of a $500K investment. That's 15 percent return on capital, annualized. Right?

Jaime: Yeah.

Matt: So that's a pretty good return. Now, if you're looking at a stock market, right, the implied return of the stock market is sub 6 percent including dividends at this point so 15 percent cash on cash returns are very compelling. Now that's just unit level economics – the whole investment thing is different – but, if you think about restaurants as a vertical, just because it's low margin, right, grocery stores are also low margin – but you can have good returns on capital – it all just depends on how much you invest in the business.

Jaime: Okay. That makes perfect sense. So where did you guys get the money? Most people can't go, "I'm going to start an investment company. Oh, wait, you need a ton of capital beforehand." So did you guys get investors? Did you start with your own cash? How does that work?

Matt: So we did not raise a fund which is what some people do. We basically syndicate our transactions on a deal-by-deal basis. And what that means is we have a network of friends and family that we work with that we raise capital for each individual transaction. But the reality is most of our deals are not super capital intensive. We actually focus on – even within the individual restaurants that we work on – we try to get them profitable enough where they can essentially self-fund most of their own growth. And that's part of the reason why we don't do a fund is because it allows us to have a much more flexible time horizon for our investments.

So we're not a typical investor where we look at getting in for three to seven years, flipping it, and moving on. In many cases, we'll hold an investment or have the potential to hold an investment for much longer than that and our structure enables us to be more flexible about doing that. But that also, again, restaurants can be a risky business so we like to really focus on getting the business model right before we build any more stores and that's why we don't want to be constrained by this time horizon limitation. And I'll give you one quick example. We have a concept called Little Donkey which is a Mexican burrito concept.

Jaime: Okay. Cheers.

Matt: And Little Donkey, it's actually atypical – it's actually a concept we created. We took a chef from one of our other concepts who really wanted to do something on his own. We helped him spin that into a new business. And so Little Donkey, we opened the first location in the spring of 2012 and we did not open another store until late fall 2015 – so three and a half years, basically, we didn't build another unit. All we did was focus on getting the unit level economics right and getting the business model right. From there, in the fall of 2015, we opened our second store, in the spring of 2016, we opened our third store, and we've got three more stores that are already in some form of development.

So, if we had a fund, we would have had to aggressively build that business much more quickly and we might have scaled it before it was ready to scale. But, given our current structure, we basically have the ability to scale it in a way where we can get it right and then grow it and not have the pressure of, "Oh my god, we've got to – " We're four years into the thing – we'd have to sell it next year when, reality, the real value creation of that business, this is probably going to happen in the next three to five years where it goes from 3 units to 20 units or whatever it might be.

Jaime: That's smart. That's the long game. Okay, so this is perfect transition, though, to what the heck you did with that company to make it successful. So what are core business system concepts that really make a huge difference that most people don't know? This is your sweet spot – the back of the house. This is what you bring in. What are people in businesses, in general, doing horribly wrong? And slap them around and tell them what they should do better.

Matt: Well, I think that those are actually two separate questions, in my mind which is what is the importance of systems and processes? And then what could people do better? Right. I think those aren't necessarily the same thing. Even if you could do better with systems and processes, it doesn't necessarily mean that you should be the one doing it. Right?

Jaime: Oh, yeah.

Matt: And that's what our business is about. But, I mean, from a systems standpoint, as we said, restaurants are very low margin. Our focus is on really basically just the ABC fundamental blocking and tackling of operating a successful business – measuring everything in the business, putting technology in place that lets us track things like inventory, things like food cost, things like labor hours, all that stuff. A lot of early stage restaurant businesses have none of this stuff in place. In many cases, they're even cash businesses where they don't have any sort of **POS**, any way to track their business, etc. So there's no "pull back the curtain, here's the big secret."

The secret is just ABC blocking and tackling and actually implementing systems and processes. And, for somebody who's at an early – If you're listening right now and you have a business with very early stage – a couple employees – and you're banging your head against the wall with trying to figure out how to do systems and processes – you're probably mentioned this book before – but there's a great book called, "The E-Myth Revisited" that basically teaches you how to do that stuff at a very simple level. But I would say, when I think about it, there's two pieces of the puzzle that maybe people don't think about.

The first is any single thing that I'm ever doing, basically – other than putting deals together which is what I like to do and my superpower, my specialty – if I'm ever doing any sort of job – and I'll give you a specific example of this with portfolio company in a second – my thought process going in and the entire time is basically, "I'm going to record and document every sort of task that I'm doing because I want to get out of that job ASAP. I don't want a job. I don't want to be in a company. I don't want to be the CEO. I don't want to be the CFO. I want to document everything I'm doing and I want to hire somebody smarter than me and better than me to do that job on a go-forward basis."

And so, to contextualize that, we invested in a company called I Love Juice Bar about two years ago and I Love Juice Bar, it's a juice bar. Right? When we invested, they had just opened their second location. Today, two years later – we invested June of 2014 so a little more than two years – they have 32 units open; they have another 25 units in some form of development. That transaction, I sourced that deal, I negotiated it, I closed the investment. When I did, I came on board the company as the chief financial officer.

Right? And so, for the first 18 months of the business – actually, a little less than that – I was the CFO. It was my job to raise capital, it was my job to do all the budgeting, all the financial planning, manage the cash of the business, etc.

And so I basically documented every single thing I was doing. I had all the pieces of the puzzle lined up and, from Day 1, my goal was, "I need to hire and find a chief financial officer that can replace me." And, eventually, because I was constantly on the lookout for that and I had already defined everything, we found a candidate and I was able to replace myself and then, Day 1, I basically sent them a Dropbox link and I was like, "Here's the eight things you need to be doing. Here's how I did them all. Feel free to improve on any of them. This is just a starting point."

Jaime: So why didn't you search for the CFO before all this and get them in advance? Because finding the right people is tough and so we can definitely talk about that, too, but why did you document and do everything first and then have everybody else?

Matt: I mean, honestly, it was just a function of the company was so early stage that we didn't have the payroll to support a CFO and the fact that it takes time and energy to source high quality candidates. And so there's no big secret – that was just why I did it.

Jaime: That's **the magic – tada**.

Matt: Yeah. It wasn't that – There was no master plan. It was like, "Okay. I'll be the CFO and we'll figure it out from there."

Jaime: It's like, "Darn it. Okay, yeah, that's me. Alright." Well, so you're growing these things so quickly – do you have to worry about finding the right people or churn? It seems like, when you're like, "Oh, and we're going to do 25 more stores," – that is so much work. Do you guys have the right people in order to do everything in advance just because you've been doing this for so long?

Matt: We definitely have relationships and networks of people and the beauty of being laser-focused in a specific vertical, we have the ability to cherry-pick people that there might not be an opportunity for them in the business they're currently in but they can move laterally into a new business and then scale with that company.

For example, the juice bar I was just talking about, the chief operating officer – there was a woman in one of our businesses who basically had been an area manager for a number of different units and she wanted to take it to the next step. When we invested in the juice bars, it was a great opportunity to bring her in – and she's an incredible operator – bring her in as the chief operating officer and she has excelled at that job.

Jaime: How do you know when they're the right person for the job? How can you go, "Yes, this person's going to be awesome," and put them in? Because I feel like there's so many hiring questions for people that I get all the time. So how do we know the right fit for the right person?

Matt: There's a couple pieces of the puzzle. I mean, I don't think anything beats actually having experience. Right? So, in this context, we'd worked with his person for years, and years, and years so we knew that they were a proven commodity and we could move this into this opportunity and that she'd be really successful. More broadly, I would say the biggest thing that people don't do if you don't have that insider knowledge of already working with someone, is talk to people who do. It's so obvious but nobody ever does reference checks.

And there's an amazing book – you may have even mentioned it on here before – called "The Who Method." And we implemented the Who Method across all of our businesses three years ago and it's a game-changer for sourcing people. And one of the core components of the Who Method is you have to do at least five reference checks on any candidate. Right? Because it's shockingly easy to discover the truth about somebody when you do a reference check.

And part of the Who Method, too, is you ask somebody, "I'm going to talk to – " You basically say, "Who was your boss at this job? Okay. What was their name? What's their contact information? Okay. When I call them tomorrow, what are they going to tell me about you?" Right? One, you get a lot better answers just doing that but, two, if there's a huge disparity between what they said and what their previous boss says about them, huge red flag.

Jaime: Yeah, I've been listed as a reference and I'm like, "They shouldn't have listed me as a reference. I'm honest so no – " It's funny how that – But I love that book and that's a really valid point. We were talking earlier and you were saying your sweet spot was deals and we were talking about how you were on the debate team – before we actually started recording – so tell me a little bit about what you do for deals and how you figure out what's a good deal for you to invest in. Because it sounds like that's your sweet spot and I feel like entrepreneurs aren't good at negotiation – there are just so many things we're not good at so give us your wisdom.

Matt: Definitely. I think there's two big pieces of the puzzle and one of them's a super deep rabbit hole that we can scratch the surface of and the other one, I think, is really, really simple. One is, fundamentally, I'm obsessed with, "How can I be more high leverage?" Right? And so that applies to deal making in this micro context but it applies to my entire life. But I'm obsessed with, "How can I achieve more with the same amount of time, resources, energy?" Because the reality is Bill Gates has the same amount of time as anybody else but, with his time, he's creating a lot more value – he's creating a lot more results. And you could say that about anybody who's ultra successful.

So it's not a question of working harder – it just isn't. Nobody wants to hear that and they just want to – and I think there is, if you don't have any other resources, time and grinding is a resource – but the reality is that Bill Gates isn't making 10,000 times more than me or whatever because he's working 10,000 times harder. He's just doing something more high leverage. So I basically found two things that that are – And I've thought about this and journaled about this for years like, "What is high leverage? How can I be more high leverage?"

I basically found two things that I think are actually super high leverage – one, which you just talked about, is hiring people that are better than you. So we don't have to get into that one and that doesn't really apply to making deals. The other one is mastering the ability to make better decisions because understanding decision making cascades through every single thing in your life. If you fine-tune and you hone your ability to make decisions to the point where you can understand a transaction, you can understand a negotiation, you can understand how people think and act, that's going to cascade through pretty much everything and it's one of the most high leverage things you can focus on.

So, when I'm thinking about reading, or improving, or growing, or whatever, I really don't like to typically read tactical books about how to generate 10,000 leads or whatever. What I want to do is understand the fundamental principles that govern reality so that every single decision I make about everything can be more effective. And that's a model that I pulled from one of the greatest investors of all time, **Warren Buffett** and his business partner, **Charlie Munger**. And, for people who aren't familiar with Charlie Munger, he's incredibly smart thinker and I started studying those guys from the investment standpoint and really got into the meat of what they were talking about which was the idea – again, this is the super deep rabbit hole – but the idea of mental models and worldly wisdom and all these topics. And that's actually how I accidentally stumbled into being a podcaster because –

Jaime: That's what I was going to say, "I want to listen to your podcast now. This is so interesting."

Matt: Yeah. That's what my podcast talks about – how to make better decisions and there's a lot of psychology behind that. But, without going – and we can definitely go down that rabbit hole and go deeper there – but, without going super deep in that, the other piece of making deals which I think most people overlook or don't understand is that deal making is not about tricking somebody into, "Oh man, I got them to agree to this thing." Deal making – I think the simplest way to conceive of it, from my perspective, is look at a Venn Diagram of your interests and their interests and whatever the overlap is, that's the room for making a deal.

So, if there is overlap and mutual interest, then it's possible to structure a transaction. If there's just not enough overlap, a deal's never going to get made – I don't care how hard you try to close them or how aggressive you are, or if you try to manipulate people, whatever. If there's not economic interest, then it's going to be really, really hard to make a transaction. So my negotiating style is, fundamentally, just from a place of understanding – all I do is seek to understand. I want to understand what they need, what they want, why they want to do it, what they're looking for and then I try to basically craft something out of that that's a win-win for everybody.

Jaime: So you do really focus on the win-win side? So it's not as though you're just getting really good at – Because this is where the whole skeezy, car salesman comes long. They're trying to sell you something you don't actually want – that's why they're skeezy – instead of, like you said, find the overlap and make it work. When you've done a deal, have you ever gone, "Oh, that wasn't a very good one," or, "Oh, that one –"

Matt: Oh, definitely.

Jaime: Okay.

Matt: Yeah, we've had deals that had blown up, deals that have failed. I think that's an inevitable part of structuring transactions – you're going to have deals that blow up. And we use a really, really simple grid, basically, to conceptualize this concept. We just call it, "Good Deal, Bad Deal," and it's basically you have "Partner" on the top and it's "Good Partner, Bad Partner" and you have "Deal" on the other side and it's "Good Deal, Bad Deal," so you have four quadrants. So "Good Deal, Good Partner," we call that making money and having fun. "Good Deal, Bad Partner" always ends in either a sale or a premature exit of the business. "Bad Deal, Good Partner," you find a way to work it out. "Bad Deal, Bad Partner," get out as soon as possible. Right?

Jaime: How do you know if they're a bad partner, though, before you start working with them?

Matt: You don't but, like I said, you want to do reference checks. The No. 1 way that I do due diligence on an investment opportunity other than – I mean, obviously, in the restaurant context or whatever, I want to go with the food, I want to explore the concepts, I want to think about how it's positioned in the market – that stuff is a prerequisite. The real work is I want to talk to as many people in my network or people that aren't in my network that are smart about this deal and be like, "Okay, so what do you think about this person? What have you heard about them? What do you think about their brand? What do you think about their food?"

And so the first thing I'll do is, if somebody – and we, fortunately, have a huge inbound pipeline of investment opportunities – but, the first thing I'll do when somebody pitches me an investment is I'll go ask three or four people that I think might know about them and be like, "Well, what do you think about this?" and if they're responding – I had a deal recently where someone was emailing me really aggressively like, "Oh, blah, blah, blah," – sending me all these emails – and it was tipping a red flag in my mind. I was like, "If this is how they're going to behave, I'm not sure that they're the right partner," but I was like, "I'm not going to just write them off. Maybe they're just a hustler and they're really aggressive."

So I contacted – being in the food business, I'm friends with a lot of food bloggers, food writers and things like that – and I contacted a couple people and I was basically like, "Hey, what do you think of this person?" and everybody was like, "Run in the other direction. Do not do business with them." And so I didn't even go eat at their restaurant because I don't need to. Right?

Jaime: Yeah.

Matt: But it's the same fundamental principle from the Who Method which is talk to people who have done business or have worked with this person because that's how you're going to get real information about how they actually are.

Jaime: What if it's not yay or nay, though? Because it's really easy asking three people in a room going, "Run," and you're like, "Okay, great. It's all figured out." Right? But what if it's this gray area where they're like, "Well, they're here and they're there,"? And that's where I feel like people get tripped up – everything seems gray and then they can't make a decision.

Matt: I think that's typically a nay. Right? Like, "If it's gray, why are you doing it?" If it's a marginal decision, I'd rather just focus on my existing opportunities and not even mess around with it.

Jaime: Because, really, you'll know if it's a yay if you start going down that path and you're like, "Okay, great. All signs align."

Matt: Yeah. If it's a yay – I don't even want to use the phrase but it's super cliché that people are like, "It's either a hell yes or a no." I don't like that whole shtick but the reality is, for me, it's an obvious opportunity or I'm not going to do it. And so, then problem is that, if you have too many that are just home runs – cherry picking those – that's when it gets really challenging.

Jaime: Too many good deals? Oh.

Matt: That's a good problem to have, though. But, I mean –

[Crosstalk]

Jaime: People are like, "You suck, Matt. Thanks." No.

Matt: If it's a marginal opportunity, though, just don't do it. Just focus on what else you're doing or find other opportunities.

Jaime: Okay. That makes perfect sense. And we never actually said the name of your podcast so I want to make sure I tell everybody to go listen to it. "Science of Success" – go tell them where they can find out more about that because I want to listen to it, now, too.

Matt: Absolutely. Yeah. So my podcast is called, "The Science of Success," – and we touched briefly on how I got in there – but you can listen to it if you just go to scienceofsuccess.co – that's scienceofsuccess.co. Or if you just search "Science of Success" on iTunes, it'll come up. So, either one of those is the easiest way to find it. Yeah.

Jaime: So deal making – sorry, decision making, I think, is a huge piece and I don't think entrepreneurs understand how big of a piece it is because, yesterday, I did back to back meetings and calls and I was like, "I can't make any more decisions." My brain is so, "No, no more – please don't ask me a question. It will not get a right answer." But one of the things that I've found, especially with high level business owners is that they are amazing at making fast decisions and going, "Yay," or, "Nay." So how can we get better at that – besides listening to your podcast, give us references or a couple tips on how, as a business owner in the moment, we can make better decisions.

Matt: Definitely. So, to be a better decision maker, there's no "get rich quick" strategy. The reason that high level gray-hair business-grizzled veterans are able to make instantaneous decisions that are usually correct is because they have decades of experience in making those kinds of decisions. So what you need to do to be able to short-circuit that – or really the strength that they fundamentally have – is that, at a subconscious level, they've mastered all the different components that already go into that decision. And so they might not consciously be able to immediately give all the justifications, but their subconscious mind is processing through a bunch of information and then they're snap making that decision. Right?

So what you want to do is basically feed your subconscious – as Charlie Munger calls them – feed your subconscious "mental models." Right? That's the term that he uses and mental models are basically tools that you use to understand reality and it's not super complicated. The simplest way Charlie Munger – and I'll give you a couple of resources so you can do some homework on this – but the simplest way Charlie Munger describes mental models is it's like if you went to the 101 course of all the major disciplines that govern reality. So chemistry, biology, physics, economics, mathematics – if you just went to 101 and took the ten biggest ideas from each of those, just understanding those concepts will give you 90 percent of the mental models that you need to understand reality.

One of the biggest is psychology. Right? Psychology rules all human interactions and psychology's rooted in biology, and evolutionary structure of the brain, and all of this other stuff. And if you want to take the first steps on that journey to just really even understanding the conceptual framework of using mental models to improve your decision making, there's two things that I would recommend to get started. One is there's a YouTube video that it's about an hour and 15-minute speech by Charlie Munger. It's called "The Psychology of Human Misjudgement" and he goes through, I think, it's the 27 standard causes of human misjudgement which are 27 mental models of psychological biases that cause people to make bad decisions. And every single person falls prey to all these biases at different points in their life – I fall prey to them, you fall prey to them, every single person listening to this has definitely fallen prey to these biases.

Jaime: Perfect, Matt. Don't tell me that. I need to listen to it.

Matt: The second place I would recommend starting is a book called, "Poor Charlie's Almanac." And that's a book – it's not by Charlie Munger – but it's about his life and it goes through is biography and then the whole framework of mental models that he uses to describe reality, and then goes into a bunch of – there's a bunch of his speeches that are transcribed and you can get into the weeds. If psychology is the bet that you want to take – dig deeper on – there's also two books that I'd recommend. One is the legendary psychology book, "Influence" by **Robert Cialdini** which you may have talked about here before but, if you want to understand how people can make ridiculous and irrational decisions, definitely read that book.

We also did a brief, six-part series on my podcast called "Weapons of Influence" where we broke down the six biggest tendencies that he talks about in that book. And then the other one would be a book called "Predictably Irrational" by Dan Ariely and that's almost like the "Freakanomics" of psychology. So it's a very fun read even if you don't want to do the heavy lifting of getting into some psych research and really understanding it. It just tells these insane stories about how rational, logical people make ridiculous choices in the right context.

Jaime: I have been told about that book so many times and I haven't actually set it aside to read it so I really appreciate – I'm going to go get the Audible version of it soon. Killer.

Matt: I have one other rec.

Jaime: Yeah. I love this. You're like –

Matt: This is the master class – I would say don't even think about reading this book unless you've read all the books I just talked about – it's a book called "Seeking Wisdom." This is the book right here. And it basically – I'm just going to show you – this is the intro and these are the notes –

[Crosstalk]

Jaime: Oh, those are your notes.

Matt: These are my notes on this book. Right? It's seriously – I'm not even exaggerating – it's the most information dense book that I've ever read in my life and it's basically about all of – It goes through both the biology of human decision making, it goes through the psychology of it, it goes much deeper than – the Charlie Munger speech is an intro to what they dig into. And then they get into the physics and mathematics of misjudgement which is all of these systems thinking and statistical analysis and I've read it two or three times and I'm just getting to really scratching the surface of what it's actually about. I actually started to mastermind with a buddy of mine where we're going through one chapter every two weeks of this book and just getting that deep on it.

Jaime: That is amazing. We're going to have a Master's degree in decision making after reading all of these books.

Matt: Yeah, seriously. So, like I said, it's a lifelong path to mastering decision making but it pays enormous dividends through everything that you do.

Jaime: Oh my gosh, this is so amazing. I know we have to start wrapping this up really soon but I literally – I have horrible handwriting – but I've written a ridiculous amount which I really appreciate, especially with the resources so I can A, listen to your podcast first and B, go through all the things that you suggested. And everybody that's listening, we're definitely going to have lists of this so don't worry if you're driving and you could not write these down – we'll have all of the links in the show notes. So I'm going to ask the last question, Matt but, again, I need to go to Nashville and actually hang out with you guys.

Matt: Come visit.

Jaime: Yeah, seriously. I have so many friends in Nashville and should totally do another podcast together. But the last question is what's one action listeners can take – just one – this week to help move them forward towards their goal of $1 million?

Matt: I would say listen to that Charlie Munger YouTube interview. To me, that is the simplest thing you can do. If you want more, I'll give another tiny little action – if you want another one, I would say journaling is an amazing tool. **Tim Ferriss** and **Josh Waitzkin** recommend this idea of, basically, at the end of the day, pose a question to yourself – and there's a ton of neuroscience about why this works – but pose a question to yourself and then, the next morning, before you check your email, before you do anything, journal about that question.

So pose the question like, "How can I get to my next $1 million?" or, "How can I get to my first $1 million?" or whatever and then go to sleep, wake up the next morning, and then journal about it. And then do that every day for a week – your subconscious will process that information and start to come up with combinations and ideas that you consciously weren't able to do.

Jaime: So I used to do that and totally forgot and dropped the ball on that. So I so, whenever I have a big decision that's coming up and it's hard to conceptualize and just think about it all the time or I'll meditate and think about it. I used to do this and I'm writing this down. Another thing to write down from you, Matt. Thank you so much for coming on the show today. Where can we find more about you? Say the link to your podcast again so everyone can follow up.

Matt: Definitely. So scienceofsuccess.co – that's scienceofsuccess.co. You can get everything there. We have a bunch of podcasts that talk about all kinds of things that I talked about today – influence, decision making, mental models – we've got some amazing interviews on mental models – so, if you want to learn more, the podcast is a great resource to do all of that.

Jaime: Awesome. Well, thank you so much for coming on the show today, Matt. I really appreciate it.

Matt: It was an honor to be here. Thank you so much for having me.