Brought to you by:

0:03

JIM: Is it possible to create financial certainly when facing an uncertain future? With an unpredictable market, changing horizons of Medicare, social security, and taxes, how can you prepare a bright future for yourself? Insurance veteran, Van Mueller, joins to discuss how you can strategize for success. Hey, Van, glad to have you back again.

0:22

VAN: It’s nice to be back. I’m really excited. The timing couldn’t be more perfect.

0:26

JIM: Well, you know, at the recording of this we’ve had a little bit of volatility this last week in the marketplace. I know a lot of people are nervous. You’ve talked in the past about having a strategy. What are you telling your clients now with the volatility that we’ve seen here recently?

0:43

VAN: It’s kind of interesting. Actually, if I’m to be completely honest, I’ve been telling people that what happened in the last few days, the last week or so, I’ve been telling them that this was going to happen as long ago as a couple of years ago. To be honest, I haven’t been correct for two years because and this is very important, the governments of the world are still intervening in the true way economics work. You’re actually seeing it right now with the little bounce that we’re having. China printed enormous amounts of money and lowered their interest rates a couple of times just in the past seven days. They’re again, artificially intervening in the way economics work.

What most of my clients have understood and this is very important, none of us know what’s going to happen. Anybody’s who’s walking around telling you oh, I know what’s going to happen. You should run from them as fast as you can because the way I position it with my prospects and clients is this. If nobody knows what’s going to happen, if the people instituting the policies that we’re seeing monetarily and fiscally do not know what’s going to happen, should you take a lot of chances with your money or should you develop a strategy that allows you to have certainty. Then because you have certainly, don’t have to worry so much about any dramatic shifts, the value of your assets, that you can then be in a position to take advantage because you create some liquidity that allows you to take action at the most perfect times. The perfect times are after enormous drops because you’re always buying at a discount. It’s really funny. You hear the greats of the industry, Nick Murray, and people like that saying in every other thing that you purchase, you’re always looking for a discount. You’re always looking for a discount except for some reason everybody buys at full price when it comes to financial products. If you could establish a way that you could have really solid certainty and enough liquidity to take advantage of opportunities that you could buy great things for long-term at a discount, wouldn’t that be a spectacular strategy for every American. We don’t seem to portray that to the American people.

This is going to get worse, by the way. I have no problem saying that to you. This is not the end of the downturn. This is probably the beginning of the downturn. This bounce is essentially testing the top of the markets. I think we’re going to have issues with markets, stock markets, bond markets, real estate markets, commodities. Many people predicting $10 and $20 per barrel of oil, many people predicting $700 and $800 per ounce gold, and $10 per ounce silver, and on, on, and on – means predicting. That means nobody knows. That’s what I want to keep making very sure. When you’re developing a strategy, don’t you want to make sure that under all circumstances that you can have some safety and some security and you can you build enough liquidity into your program to buy at the most appropriate time.

One more thing before you ask. I always then say to my customers, what’s the best time to buy into these markets, stock markets, bond markets, real estate markets, commodities markets. They always say well, when it’s low. I say well, can I ask you something. When is that going to be exactly? They say well, I don’t know. I say well isn’t that why everybody makes all the mistakes they make? Wouldn’t it be great if you could have some certainty and have some safe growth going forward? Then when these opportunities present themselves, you would think of them as opportunity and you’d be a position to take advantage of them. Wouldn’t that be a good strategy if you didn’t know what was going to happen?

4:42

JIM: That’s why you don’t want to go it alone. That’s why you need an advisor to help guide you through this path and get unemotional because most people are emotional about their money. The advantage of us as advisors, it’s not our money. We can look at it a little bit more logically. You hit on so many things, Van. For myself personally, I live up in the North. I have propane heat. I just got an offer from my propane provider that I could lock in at $1.12 per gallon. I looked at that because two years ago propane had spiked to over $5 per gallon. I actually talked to one of the contractors that I work with and he talked about on his jobsite they actually shut the job down because they couldn’t get propane for less than $8 per gallon. It really went up and having that fresh in my memory I thought you know, I might want to do that. I might want to lock in because I don’t use that much propane but I thought I’d lock in but I’m one that I’m always to save a nickel wherever I can. I went online, did a little research and I found out there’s such a glut of propane that the producers are actually paying to get rid of it right now because there’s too much of it. Then I thought I’ll call up my provider and see what I can get it for. Right now, it’s around $0.90 per gallon with the future looking like it could be much lower. The thing is with all this we don’t know what the future holds. I mean, just two years, record prices and now, it’s just the opposite. We’ve had volatility in the market. I look at the Old Testament. I was raised a Catholic and it said seven years of feast, seven years of famine. Volatility has always been happening. That’s where it’s so important to have a strategy that you’re implementing whether the market’s high, whether the market’s low. You’ve got to do something about it. You can’t just react to what’s already happened because it’s too late. You want to have a strategy and you want to stick to it to take advantage of these things. One thing I’d have you comment on too, you talk about having liquidity. We’ve seen some improvement in this area, consumer debt. You see people buying things on credit all over the place. We just had a guest on that I just interviewed who he interviewed all these centenarians and they talked about one of their keys to life was they put away anywhere from 10% was the lowest to as much as 50% of their paychecks and other than their house they paid cash for everything. They had liquidity. They didn’t have the financial stress that most people are suffering. What do you say to your clients when it comes to debt and managing your debt?

7:11

VAN: Thank you for asking. One of the things that’s most important is I try not to say anything to my clients because that gives the impression that I know what’s going to happen. What I spend a great deal of time is asking them lots of questions. I’ll give you an example. I ask them right now do you think that we could have the next great depression. I explain here’s what I mean by that. Last time, in 2007 and 2008, we had companies that went bankrupt. In 2015/2016, we’re probably going to have countries that go bankrupt. Many of these countries depend on oil being at $80, $90, to $100 per barrel, Russia, Venezuela, Canada, Qatar. Even in the United States, 70% of the junk bonds that have been issued were for the oil fracking industry. They need $80 per barrel of oil and it’s today at $40 per barrel, predicted to go to $20 or $30.

This is really important. You said such an amazing thing only I go at it just a tiny bit different way. I say to every prospect and client I have, I ask them, I say who controls the most money in the richest country on the planet by age group. The answer is clearly people over the age of 65 in our country. They have 70% of the wealth in our country. Then I stop and I ask them. I say how did those people get rich. The answer again is clearly when the Great Depression happened, they learned to become great savers, not investors, great savers. Second of all, they learned to live within their means. They learned to not spend more than what they had. So that turned out to be a very beneficial thing, the Great Depression. It taught people some values that they needed to have to successful financial lives.

Well, I’m hoping for something like a Great Depression again not because I believe there’s any end of the world scenario here. I believe we’ll fix it. I believe that there’s way more upside than there is downside but we have this tremendous amount of excesses and tremendous amount of government intervention. You hear these conversations all the time about we’re going to lose our reserve currency status. That’s ridiculous because China’s printing money. Japan’s printing money. South American’s printing money. Europe’s printing money. They’re all devaluing their fiat currencies and as Tom Hegna loves to say all the time and you can watch him on public television if you want to, we’re a dirty shirt but we’re the cleanest dirty shirt in the laundry. When everything blows up, the world’s going to come back to the United States.

What I’m hoping will happen is when we have another one of these terrible crashes because of all the excesses that have been created in all of these areas, think about this. Student debt is at 1.3 trillion. Automobile debt just went over $1 trillion for the first time in history. People are buying new cars. Why? Because they can get 0% or 1.0% interest. Everything they can do to spur on the economy. Instead of saving, people are buying assets that depreciate in value rather than saving. I tell everybody nowadays if the people of the Great Depression had the great savings vehicles that we have available to us today to help our prospects and clients with, they would double or triple the amount of money that they have saved to this point. Getting financially secure is about saving and living within your means.

I’m hoping you’re going to ask me I think there’s another thing that we have to pay attention to in our discussion is that income allocation really doesn’t work anymore. You could have $1 million and if you have it in CDs, you’re making $2500 per year. You’re not going to live on $2500 per year. Asset allocation doesn’t work. It’s very dangerous. You could easily lose 30%, 50%, to 70%. Shouldn’t we be talking to our prospects and clients who are increasing their life expectancies; men just got increased. If you make it to 65, you will live to 86 years old on average. If you’re a woman and you make it to 65, you will live to 89. Remember an average means, half of the people live longer than that. Shouldn’t our discussion be about income allocation? How can we provide you an income that you can never outlive? How can we use guaranteed values and things like mortality and longevity credit? How can we use products that provide leverage that will allow you to achieve the income requirements that you’re going to need for the rest of your life? That’s why you need a financial advisor to sit down and ask those questions.

12:01

JIM: That’s going to be a great segue to our next segment. We’re going to take a short break. When we come back, we’ll explore that so please stay tuned.

[BREAK]

12:34

JIM: Welcome back as we continue to visit with Van Mueller, one of the most sought after speakers who speak to financial advisors as well as a very successful planner in his own right. Van, before the break we were talking about a lot of gloom and doom. I did pick up a stock tip. I think you said we should buy companies that produce ink because you talked about all this printing that’s going on but this is not a stock tip. I say that in jest but at any rate, you look at the problems. I’m like you. I see all these problems and I’ve actually told my clients, I’ve never been more bipolar than I am today because you can’t keep printing money the way we are. You can’t spend more than you make. I look at the government. I’ve told my clients, government is a reflection of the people.

If we go back 10 years, we had a negative savings rate. Consumer debt was all time record highs. People as long as they could put the trip to Disneyworld on the credit card and take all their family and their SUV that was bought on 72 equal payments and no money down, life was good. Our local, our state, and our federal governments were living the same way. I think we had a correction. I don’t know if it’s been deep enough but there has been a little bit of wakeup call. We see people are saving. We have a positive savings rate albeit far from where it really should be. We saw consumer spending on credit go down but now I start to see that going up again but we do need to get back to the core values that the greatest generation taught us, which is saving and only paying for what you really could afford to.

Now we’ve got this other thing, this longevity risk that you’ve talked about. The greatest generation, a lot of them didn’t make it into retirement. If they did, they continued working. Now we have this new dynamic where people want to retire at 50 or 55 and they might live an extra 10, 15, 20 years beyond what the past generation did and now, all of a sudden we’re looking at trying to live off their savings longer than they did accumulating it. I find a hard time with that math even working. What you talked about is a little bit about planning for diversity of income I know for a lot of Americans, we’re asset based focused and not cash flow focused. When you get to retirement, it’s all about cash flow.

I think another thing that we haven’t really touched upon too that I know you can comment on is taxes. We had the past Comptroller of the Currency on not so long ago, David Walker, and he said that with all things being equal by 2020 tax rates have to double. I see so many people are just kicking the can down the road, kicking the can down the road, not worrying about what’s in front of them other than what’s in front of me for this week. They’re not looking long-term and I think it’s more important today than ever before that you need to have a strategy. Comment on that a little bit about the strategy as well as maybe a little bit about considering taxes at least somewhat.

15:26

VAN: Thank you. David Walker, by the way, is one of my heroes. I’ve been following David Walker since he was the Controller General of the United States during the Clinton presidency. He’s an amazing man. I’ll tell you what they’re clearly saying. They’re saying by 2030 and this doesn’t come from just David Walker, this comes from the Congressional Budget Office, and this comes from a number of other sources, by 2030, we will only take in enough revenue at the federal level to pay for social security, Medicare, and interest on the debt. We will have no money for anything else. We will have to borrow it.

There are ways to take a look at some things. The annual budget of the U.S. government is $3.6 trillion and the unfunded, meaning no money set aside, unfunded liability for social security and Medicare is $98 trillion, $98 trillion. You look at those numbers and you know, again, I want to quick answer that because I don’t want anybody to think that I’m saying that they won’t get their social security or Medicare. They will definitely get their social security or Medicare because demographics win the day. Currently, in America there are 100 million people over the age of 50. By the year 2030, there will be 130 million people over the age of 50.

I ask audiences everywhere. I ask every one of my prospects and clients, if you’re over 50 are you going to vote not to get your social security or Medicare. The answer is absolutely I’m not going to vote not to get my social security or Medicare. So, how are they going to get the money? You have to ask questions. You say are they going to lower benefits. Well, we just explained, no. Are they going to raise taxes? I’m so glad you asked me this because I love sharing this with the public. It shows how badly misrepresented this issue is by the people that lead our country. It doesn’t matter what party. It doesn’t matter what level of government. Nobody is telling you the truth. We are not going to raise taxes. This is going to stun everybody. If you take a look, the GDP, the Gross Domestic Product of the United States, measurement of all the output of goods and services of the greatest economy on the planet is $17 trillion. If you check, just this year, first time ever, we collect $3.1 trillion of taxes at the federal level and that includes income tax, social security tax, Medicare tax, corporate income tax, and estate taxes. Then if you check a little further you find that at the state and local level, we collect 2.8 trillion of taxes. Those are income taxes, sales taxes, and property taxes. That added together is $6 trillion, approximately, divided by 17 trillion is 35% of all the income that is made in the greatest economic power on the planet is already going to taxes and I’m not done yet. This is very important. Do we call everything a tax? Don’t we have licenses and fees? One of the biggest taxes of all is the lottery. We changed the name of it. We don’t call it the tax. We call it the lottery. Do you know that we collect more money from the lottery than we do from basketball, baseball, football, hockey, movies, books, video games, television, and pornography combined? Now you have got to understand, it’s a tax. It’s a tax on poor people and middle class people.

Here’s the thing. You have to ask everybody. Has there ever been a socialist economy on the planet that has ever worked? The answer is no. Whether you believe it or the people in our government are not stupid. They know. They know for certain that we can’t raise taxes. Now you’re hearing speeches like this. We have income inequality in our country. What they’re going to do is they’re going to transfer taxes. They’re going to take from those who have and give to those who don’t. That’s why you hear Secretary of the Treasury Lew, you hear President Barack Obama, Vice President Joe Biden, Alan Greenspan, Janet Yellen, Ben Bernanke, and on and on giving speeches about we have to have income inequality in our country. What they’re going to do is they’re going to take away inherited IRAs. It was never meant to be an estate planning tool. They’re going to take away capital gains. They’re going to take away step up in basis. Please remember you heard on this show. I’ll bet you any money that they’re going to take away the deduction for home mortgage interest, state taxes paid, property taxes, health insurance, and charity. I’m going to say one sentence and then you’ll know exactly how they’ll go it. They’re going to say to the public only rich people itemize. If that’s the case, they’ll get this passed and they’ll start transferring from them that have to them that don’t.

Here’s a question that every one of your views, I want to ask them. Is there somebody that you are particularly and madly in love with or fond of at the Internal Revenue Service or in government that you’re willing to build these huge accounts that are essentially big piles of money for the Internal Revenue Service and the government to take from you later on in life? They’re going to transfer it because they’re not going to leave these people go without roofs over their head. They’re not going to leave people go without food. I saved this one for the last because I want to get a laugh with it. They’re certainly not going to let them go without healthcare. Here’s the deal. If you have some money in this country you have some time to do some planning and take advantage of tools that allow you to stay in control of your financial future. If you don’t do that, to be very candid with you, you’re running out of time.

21:20

JIM: We’ve already seen it, for example, with itemized deductions. Healthcare used to be 7.5% threshold. Now it’s 10%. For those that were over 67, they will go to that same 10% next year. There’s been discussion to take away charitable deductions and all those kind of things. The time for planning, we have some of the lowest tax rates we’ve had in a long time from an income tax perspective. It amazes me how many people I talk to that don’t even consider taxes. They just plot away and just wait for things to happen. There’s never been a more important time to plan ahead and never a more important time to have a team of advisors that you create some strategies that help plan for some of the possibilities. The handwriting’s on the way. We can speculate. We can’t say for sure what’s going to happen but something does have to happen in a big way when we have these types of unfunded liabilities. The other thing is you’ve got so many people. I mean, what is it, 10,000 baby boomers per day are retiring. There’s going to be a straw that breaks that camel’s back and all of a sudden people are going to wake up and say would have, should have, could have but I didn’t do it.

22:29

VAN: Before you break away, can I quick in because remember I want reassure everybody. I don’t want anybody to ever believe that they’re not going to get their social security or Medicare. We said we’re not going raise taxes. We’re not going to lower benefits. Can we grow our way out of it? Obviously, that’s not going to happen. Europe has negative growth. South America has negative growth. Japan has negative growth. China’s growth is falling off the map into the low single digits. The Congressional Budget Office says the United States will have less than 2% growth on average over the next decade. It really only leaves one thing and its important again in the planning. If we are going to pay these benefits, the only way that we’re going to be able to do it is we’re going to print the money. Anybody who thinks and understands math, really understands math, money only goes so far. We have all these people that are going to need to be cared for. We’re going to print the money and we’re going to give people on social security their social security and Medicare but we’re going to then look at them and say, we don’t care that you can’t buy anything with it because it’s not adding any value but we gave you your social security.

Again, none of those are bad things, none of them. I always say to my prospects and clients that there is no bad news. There is no good news. There’s only news. If you plan and prepare then you can take and create good news. If you don’t plan and prepare then you’re allowing bad news to impact you. All I then say is which do you prefer to do. It’s always in the hands of our prospects and clients to determine their outcome.

24:05

JIM: You know, Van, I learned from you a long time ago. I stole a term that you shared. I think you shared it on this program in the past as well and that is printing of money is the stealth tax. You don’t fill out any tax return for that. If they all of a sudden deflate the value because if all of a sudden you have twice as much money in the system it’s worth half as much. If they do that then you have half as much earning power. It’s just like them taxing 50%. They don’t have to get into battle of the rich, the poor, whether or not you’re this decent, or that decent, alien, or non-alien. It doesn’t matter. If everybody’s money is worth half as much, they just taxed everybody across the board at 50%

24:45

VAN: In Brazil they have 12% inflation right now. That means every six years you need twice as much money to have the same standard of living as you do now.

24:55

JIM: Van, I want to say thanks again. Hopefully, people listen to us and they sit down with their advisors and make sure they have a strategy for the future. Everybody is a little bit different. They have different risk tolerances, different needs, and different wants but if you don’t have a strategy I think you’re making a mistake. Nobody’s better to go to than your financial and insurance advisors, your CPAs, your attorneys. Get the team together and make sure everybody’s working together in the same direction for you and make sure you got a plan. Thanks, Van, I really appreciate you joining us again.

25:27

VAN: Thanks for having me. I really appreciate it also.

25:29

JIM: Thanks for joining us this week. Tune in again next week as we explore another phase of the Real Wealth process. Remember, if anything you heard in today’s show you’d like to get more information about, contact your Real Wealth advisor. Also, if you feel that any of this information would be helpful to a friend or family member, just click the forward to a friend button.