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JIM: Money can make your life either better or worse depending on your relationship with it. Here to delve into this topic is Ronco Johnson, an advisor, author, and inspirational speaker. Through his financial planning work with clients and professional athletes, he realized the need for public education and founded Ronco Johnson Foundation. Welcome, Ronco.

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RONCO: Thank you, Jim. How are you?

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JIM: I am fantastic. Hey I am so honored to have you. You come very highly recommended. We got to meet at a national conference and had some personal time together and I've got to say you inspired me.

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RONCO: Oh well thank you so much.

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JIM: The interesting thing that really struck me, you're a very successful advisor in your own right and you’ve got a passion for giving back and I think that’s kind of why we clicked right away but one of the things that kind of struck me, I've had some professional athletes in the past and what we've seen is a lot of these stories that people see in the news media where people make millions and two years after leaving their career they're dead broke. The problem is they make it fast, they spend it fast, and they don’t prepare for retirement. It’s kind of the same as the average American. It doesn’t matter how big your paycheck is. If you're not prepared and you don’t plan, you're going to have some problems. I think the key and we’re both in sync on this is financial education. From your perspective, Ronco, why is financial education so important?

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RONCO: Jim, that’s a good point you made. Financial education is a solid factor in my livelihood. I came from a family with many professional athletes, more than the common family, and out of the almost 18 of them that have been in the NFL or NBA or MLB, 17 of them are broke. When you look at that as a young man growing up, we have Super Bowl champions, we have Hall of Famers, we have all these things in the family, right? You look at it and say wow I want to be like so and so and so and so but when you get a chance to peek behind the scenes and see things, you say well maybe I don’t want to be like that. Well how do you change that process? How do you change the way you have a relationship with money because money at the end of the day is some of the things that makes people’s lives either better or worse. In the context of talking about the professional athlete, it’s a mix of a very fast ride for a young person maybe just out of college, maybe two years of college these days with the opportunity of a lifetime that will see more wealth in the next three to five years than they ever will in the rest of their working outside of the business career in many cases, it’s very hard to tell someone how do you prepare for it. We call that a lights-out moment. I talk about it as I'm on tour and as you and I spoke about it, when the lights go out, are you ready for that? Many people say hey if I won the lottery tomorrow, I'm ready for that, I want that. Well that puts you in a new tax bracket. That puts you with new family members. There are a lot of different challenges that those individuals face. The athlete and the superstar in the business or a high-profile business person, they're all the same. They're very similar and it’s the fact that there's a large sum of money and not everybody understands how the taxes work. Not everybody understands that this opportunity is going to run out one day. I haven’t properly prepared because I didn’t think that it would ever stop. That’s the Achilles’ heel to the athlete.

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JIM: What's interesting about that is I'm involved in the process of people getting their estate plans done with attorneys and one of the questions we always ask is at what age do you want them to throw the party and most people are scared to death about leaving people money before they're 25, 30, or even later sometimes and you think about these professional athletes. Some of them are starting right out of high school at 18 years old but at latest they may be 23 or 24 when they're coming into this money and if you think back to when you were that age, did you know about taxes? Did you know how to be financially responsible? I mean all of a sudden this money comes in. It really changes things and just because you have money doesn’t mean you're smart about it. You got lucky. It’s not always sometimes you make your own luck and things like that but to be blessed with the athletic ability to get a big contract or to be blessed with the winning numbers from the lottery, the results all too often are the same where people don’t make the smartest decisions and they wake up sometimes it’s too late. Let's talk about that. Let's kind of transfer that more to the average person that might be listening. Someone has lost their job. What are they doing to prepare for the next opportunity? What should people be preparing? With an athlete – we were kind of talking just before the show – they get to training camp and all of a sudden their paycheck is gone. They're cut and they're done with the NFL because most of those contracts aren’t guaranteed but if we’re working, we might have a pretty stable career. We've got a good job. We’re going along but all of a sudden my company is downsizing or maybe they decide to relocate and my family and my roots are here. What do you say to people about that?

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RONCO: You know I have this workshop, Jim, that I do. It’s called “Preparing your Mind and Finances for Life after Professional Sports.” Twice a year, I’ll go do a show on the East Coast and one on the West Coast and I've worked with Pro Athlete Business Group for the last several years and that’s a function where they bring in 300 to 400 professional athletes of all different genres of sports and we talk about preparing your mind and your finances for life after a sport. When do you start doing that? Well the moment LeBron James was in the 10th grade, he was already on the radar for the NBA. One of the ways that you prepare your mind for life after a sport is saying hey you know what, if I weren’t able to play this game, what would I do? If I had a career-ending injury, how would I sustain myself? Many athletes when they're done playing ball, they don’t know how to use their brand and if we use NFL as a tool, the NFL, the NBA, the MLB, they do a great job of creating a brand behind the player. Would you agree with that?

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JIM: Absolutely.

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RONCO: You're wearing their jerseys, you're buying their hats, and a lot of times the athletes themselves don’t even realize how big their individual brand is, how you take that brand and transfer it into the common world. One of those conversations that we've had in our workshop is how do you prepare for that? How do you prepare your mind for that? There are a lot of athletes that you don’t hear about that a lot more people know of them than the athlete may expect so if they want to open car dealerships, if they wanted to go into the insurance and financial service business, of course there are going to be people who want to talk to you but you’ve got to bring something to the table beyond that name because you're not throwing a football if you're talking about finances. You're not throwing a football if you're selling or buying real estate. People want to know that there's something behind it. There are a lot of intelligent folks that have gone through the professional ranks. I think the only problem we have as consumers of the professional sport is the fact that we believe everybody is a millionaire. The truth is 80% of the guys that play in the NFL make under a couple hundred thousand dollars a year and they're there for less than three years. The reality behind the scenes versus what has been advertised is totally different.

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JIM: The lesson we can learn from that, I've seen a lot of people that have gotten downsized or whatever and people sell themselves short. They're professionals in their own career. As the athlete might look at enhancing their brand, creating awareness of their brand, and being able to leverage that post-professional career, you can look at the same thing with an individual. I think of a person that was managing a plant and he got kind of burned out about it and we talked about setting up a consulting business but he had already given his notice and was removed from the job and decided money was a little bit tight before he got started. I think if you begin with the end in mind and if you think okay if I'm going to be downsized, okay what is my skill set, maybe working on that resume, having some people that can help you develop that resume and develop your brand in case you’ve got to go to the next level. Is that something that you're recommending to people?

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RONCO: Absolutely and that’s for the common person. It’s not just for an athlete or a financial advisor. If you really think about what we’re saying and you take those labels off, are you in business or are you in sales? There are people who have once worked for hourly income and then all of a sudden they go into a commission field and they make a lot of money or there are people who have made a lot of money doing something like professional sports or being a dentist. If they lost their fingers or they couldn’t use their hands or those very specific tools to be what they had become an expert in, how would you manufacture a lifestyle after that? Well a lot of times we’d think it may be our hands. It could be your personality. It could be the fact that you had the interview for that job even though you're a great athlete, there are a lot of psychological tests. There are opportunities to be of the sport and I talk about instead of being a football player, why don’t you be a business person who specializes in football? Why is that? Because there's a lot more to it. Three years ago now, I purchased a minor league pro basketball franchise and I was one of those guys that played in college. I had the opportunity to play overseas and ruptured my patellar tendon and my lights went out. No more basketball, 13 to 15 years I didn’t even touch a basketball but then I realized that I wanted to help people who were trying to get overseas and the young people that were starting to play and my daughter was starting to play and I got a great joy out of it but what most importantly I learned is wait a minute, I could take these applied skills and become a business and then I started becoming part of being in the business of basketball. What I mean by that is that you had to create a brand, you had to create a logo, you had to create a culture of your brand, you had to hire people, you actually had to pay athletes, you had to feed them, you had to get sponsorships, all those different things that we did in financial services when we started our practices. It’s not very different. It’s just a matter of how you look at it and I really think it’s just about changing the way we think. The power of our mind is so incredible, Jim. It’s like when we sit down and we talk to individuals, highly successful individuals, the one thing we want to know is how you think about certain things and if you could see it differently, how much more you could do with it.

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JIM: I think the key there is looking outside the box, taking a step back, and maybe doing a self-evaluation and writing down what your strengths and weaknesses are and start developing your own personal brand for however you want to apply it and not be boxed in by your circumstances.

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RONCO: You're absolutely right. You and I talked about it off air. Have you ever had someone come up to you and say man you inspire me, you really are doing such great things in the community. When I see you, a light bulb just comes on. Inside you're probably feeling like well man I just don’t feel like it but thank you. Thank you for saying that but why is it that someone can view you as one thing but you're really feeling another? Sometimes we just have to have that conversation and I have found for myself that it’s kind of like self-therapy and it is finding where your headaches or your pains have been and helping someone else get through what you’ve already gone through or where you’ve already been. It kind of helps you get through another hole in your life and then you start to realize that’s a hole that everybody has. It’s not just me.

11:02

JIM: Something that I've done recently is had a Board of Directors. Now I have that and many businesses have that but it doesn’t matter. You don’t have to be in business to have a Board of Directors. You might take some close friends and people you trust and associates that you might be affiliated with and have them help you with the self-evaluation because sometimes we’re full of that stinking thinking and we don’t let ourselves breathe. It’s important to really be ready for that next step. Hey, Ronco, we’re going to take a quick break and when we come back, you mentioned something earlier in the program with athletes that I know affects everybody that we work with and that’s taxes and how people can maybe make smarter decisions when it comes to taxes. Please stay tuned.

[BREAK]

12:10

JIM: Welcome back as we continue to visit with Ronco Johnson who comes from a family of many professional athletes and has seen firsthand what not having a plan can do and I think it had a lot to do with the success you have in your career as not only a financial planner but financial educator who has really taken this education process to a whole other level well beyond your practice. Ronco, before the break, we were talking about these athletes and how most Americans don’t realize when they see these big contracts, that’s not what the athlete gets. That’s before taxes and a lot of other things and what they usually net is a much smaller number. Let me ask you this. I know a lot of clients and one of the first questions I’ll just ask them and I don’t care if they're professionals, if they're blue-collar, white-collar, business owners, I ask them what their tax bracket is. Some of them will know what their blended rate is. A lot of the tax preparers will prepare a return and it’ll show 12% tax or 18% tax but that’s not their bracket. They don’t understand how the taxes work and when we look at the brackets, they go 0, 10, 15, 25, and then after that there are small increments but there are big jumps for the average person out there and most people don’t understand taxes. What have you found is an area that you’ve been able to help clients in understanding their tax rates and what difference that can make for them?

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RONCO: I think what happens is we've gotten accustomed to saying the word tax. What kind of tax? Is it an estate tax? Is it income tax? Is it sales tax? We have to be able to define that and the average person doesn’t take enough time to understand that until there's a situation where you start talking about estate planning or retirement planning. You can ask the normal individual that’s working every day that’s been with their company for the last 25 years and they look at their statements and they see their 401(k) or 403(b) and they say well I've got $200,000, I'm going to go ahead and retire. Well that’s no different than the athlete getting a check for $200,000 not understanding I'm a single man, I'm going to have to pay income tax on that amount of money that I've earned, depending on what state you're in, depending on if you're married or single. Is it a marginal tax bracket? A lot of people don’t get that education until it’s too late. I think as an advisor the advantage that we have is being able to talk about these things before they happen because not everybody is going to hear you out the first time. I encourage everyone on this call and everybody listening out there, if you're not seeking the help of a professional, an expert in the world of finance, whether it be an insurance advisor or an investment advisor or a tax preparer or a CPA, someone who is qualified, you are having a lights-out moment. It is worth your time to sit down and have these discussions and have a better understanding of how it works. The rules may change from time to time but the core of it stays pretty much the same throughout your lifetime. The reason why I brought that up is as an advocate for financial education, if we understand something and learn it, now we can play the game. You wouldn’t play a football game if you didn’t know that you had four lines that were out of bounds. You can't just run out of bounds. I tell my little girls that play basketball who shoot their baskets outside of the boundaries of the game and they're practicing throwing it over the backboard and seeing if they can make it and I tell them. I said well why would you spend time practicing on things that don’t count?

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JIM: That is a huge point, Ronco, and you see a lot of people doing that in all phases.

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RONCO: Yes why do you practice doing things that don’t count? Well what if the market goes up? Well that’s a what-if. When the lights go out, you're going to die; 100% of my clients die so let's have that conversation and then work our way backward and then we can talk about rates of return and inflation. How have you protected against that?

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JIM: It all goes begin with the end in mind and the other thing I always try to instill in my clients, it’s not what you make, it’s what you keep and I see people that are fixated with fees and if I look at the very high end of fee-based planners that are out there, I've seen 2% but most advisors are in the 1.5%, 1%, sometimes even less depending on how much money you have available and on the overall return that’s a pittance compared to income tax and yet everybody ignores the income tax. They don’t even look at it. They go well if you make it, you’ve got to pay it. It’s kind of this attitude and that’s not right. There are so many planning tools that can reduce what you actually pay in taxes and with Roth IRAs and traditional accounts and fluctuations in income, there are opportunities to minimize what you end up paying and to go it alone I think today is a big mistake. I have yet to find a client where I haven’t been able to suggest something that’s been able to lower what they're paying in taxes and I'm sure you find the same thing.

16:53

RONCO: Jim, how many of your clients are ready to retire? They may be young, maybe in their late 50s, maybe early 60s but they're still young enough to do something else. They may have a substantial amount of money that they put away in their 401(k) or IRA and they say to you hey, Jim, I don’t want to do this anymore. I'm tired of doing this. I want to do something else. I'm retiring. Then one year after retiring they're looking for a job. Two years after they're looking for a job. Four years later they're still looking for a job and it’s never come to their mind that maybe they’ve been an expert for the last 25 years and all they needed to do to make an adjustment was to go down and sit down and put it on a piece of paper and write out their dream job. Once again, we’re talking about changing the way we think. Instead of asking and begging for an opportunity to do a job, create one.

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JIM: That’s right.

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RONCO: If you sit down and write it out, it only costs you what, less than $1000 to incorporate a company and then you put your name to it. It doesn’t have to be a Fortune 100 but there you go. Now you’ve got the beginnings of a brand and you start to say what is the work environment that I would want to create for myself? Do I just want to work with anybody or do I want to work with people I really care about?

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JIM: We had LeRoy Butler who's a Green Bay Packer Hall of Famer that was on the Super Bowl team back in 1997 and 1998 when they went to the Super Bowl. He said he was so excited, couldn’t wait to retire because he knew exactly what he was going to do and he retired happy unlike a lot of NFL players. Within a few years, they're in disparity. That was inspirational. You don’t need to be a professional athlete to plan that stuff out. It’s not what you're retiring from. It’s what you're retiring to. What are you going to do with your next phase of life? If you don’t have a plan, the chances of you having depression and not being happy go up dramatically. A lot of people make that mistake where they just say okay I'm retired, now what?

18:37

RONCO: You're exactly right. I just use myself as an example. I never imagined that I would make a living as a speaker but I prepared myself for it. I got a radio/television broadcast degree. I did radio professionally for several years before becoming an insurance advisor and never thought wait a minute, I can share stories and that can be a business and then I never thought hey, wait a minute, if no one ever gives me a job playing basketball, then I can create my own basketball team. The average person just doesn’t think that way but once you start to put all those pieces to the puzzle together and I'm talking to your retirees on this call. I'm just putting up food for thought. You might be doing your job for your benefit package or healthcare. Well you can buy healthcare. You can create a business. Hire one employee, which is yourself, and like you said that Board of Directors could be family members. It could be people that you love and now you’ve got a Board of Directors for your company, a family-owned business, and now you start putting in benefit plans into the company. It could be a lawn service but it’s about how you structure it and once again there are people who have these ideas that are probably just waiting on the opportunity to have the freedom of thought and because we’re in a work for somebody environment, many of us are walking around with our lights out until someone says yes you can and it’s okay to make a mistake, Jim. I tell people all the time, listen with money matters we’re going to make a mistake so let me go ahead and give you permission to make a mistake instead of you trying not to make one.

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JIM: Yup that’s the biggest problem or challenge most people face and as you were speaking it, I think of my own dad and others. I think the most satisfying thing I do in my business is people who don’t think they can and you show them how they can. Hey we've run longer than we normally run, Ronco, but I've saved the best for last. The question I've got to ask you and this is inspirational for me. You started the Ronco Johnson Foundation for Financial Literacy. Tell us what that’s all about and how that came about and what impact you're making with that.

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RONCO: It has been an incredible ride. The Ronco Johnson Foundation, we are a 501(c)(3). We provide financial education workshops, seminars to economically disadvantaged families, youth, and individuals in transition. We've found that first it started off with just the kids and teaching them just the principles of what checking and saving and interest was and then we started talking to parents about the importance of transferring assets so that their kids can qualify for college and education but then a couple years back we started looking at it and saying wait a minute. Financial advisors need financial education every day. We have to have CE credits, continuing education so if the consumer needs our help, we've got to make sure that the people helping the consumer have more education. We started working with the MDRT, Million Dollar Round Table, and the groups like NAIFA, the National Association of Insurance and Financial Advisors, and we’re starting to promote those ideas of hey it’s smart to be financially literate. Individuals are making changes happen and these ideas that we’re promoting in the community with kids and entrepreneurism and all these different things that we’re doing, it is making an impact. I'm just happy to see it take off the way it has and have the support that we’re having and still right down the line of giving back to a community. One of the things that we didn’t say in the earlier section of the show is once you do become that person of tremendous wealth, one of the best ways to reduce some of your tax issues is to give back. Charitable plan giving is something that we talk about all the time. You’ll see these athletes with foundations. You’ll see them do their workshops but hey the idea is to give back and in order to get something I really believe you’ve got to give to get. That’s been fulfilling. That’s just a life dream of mine and between L.R. Johnson and Associates and the Ronco Johnson Foundation, we’re able to do good work all over the country.

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JIM: That’s awesome and I can't imagine a better way to finish and one thing I believe in is the government is a reflection of the people. We went through the decade of the 90s and the early 2000s and everybody’s spending money like there's no tomorrow. We’re not paying attention to our politicians. We’re not paying attention to our own financial wellbeing. We’re just spend, spend, spend, spend, spend, spend. I've seen the consumer debt has gone down. People have a positive savings rate. We actually had a negative savings rate back then. We've seen now municipalities that were having problems are starting to right their balance sheets. The states are starting to right their balance sheets. We just need Washington to right their balance sheets and I think it all starts with people being financially literate and making good decisions at home will then help solve our country’s problems because you can't have a whole populace that’s all spending more than they make and not being financially smart and expect the politicians to do anything smart if none of the people are. I think that’s the grass roots of what it’s all about.

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RONCO: Well if you know any business owner out there listening to me, why is it that the business owner has employees that think he's rich? If you ask the business owner for an extra dollar, he's probably going to tell you know. Why is that? Because he knows the value of that dollar and he or she understands that they can't just throw the dollars away. They're not as wealthy as employees may think they are because they have more responsibility. Yes you get to write something off. Yes you get to dine out every once in a while and put it on your sheet but guess what? You’ve got to do that all year long before you see anything back from it. It’s just the way you think. You're absolutely right. The more the individuals out here start to understand their own financial economy individually, the less that they're dependent on what our government does. If I don’t have debt, it’s just like losing weight. If I don’t have debt, I don’t have to worry about the harassing phone calls. If I don’t get the harassing phone calls, I don’t have the stress. If I don’t have the stress, I don’t get cortisol buildup in my gut and if I don’t get the buildup in my gut, I’ll live longer. It’s all about living a happier more secure healthier life.

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JIM: Thanks, Ronco, this has been great and I look forward to hopefully having you again sometime.

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RONCO: Thank you so much for having me, Jim, and remember when the lights go out, are you ready?

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JIM: Thanks for joining us this week and tune in again next week as we explore another phase of the Real Wealth process and 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.