

Financial Detox  
Episode #120

[INTRODUCTION]

**[00:00:00] Jason:** Hi I am Jason Labrum with Financial Detox and the Financial Detox team at Labrum Wealth Management. We're coming to you with our fresh new podcast/radio show. Podcast and radio show and in studio, my co-host, my man Alex Klingensmith. What's up Alex?

**[00:00:18] Alex:** Not much, back on the radio.

**[00:00:20] Jason:** Here we go. This is cool. This is our second show on the radio. So we went back to our good friends at KCPQ where you can pick up the Financial Detox show on AM1170. That's every Saturday 130. You can also pick it up at FM96.1. That's FM96.1. So the show's, we're global. It's podcast and it's local San Diego radio.

**[00:00:51] Alex:** Hopefully national, the coming 2019.

**[00:00:52] Jason:** I think we're working on that. We're working on couple other locations to rebroadcast and have it aired in other places. Well, because of the massive popularity of the show, Financial Detox.

**[00:01:08] Alex:** You just came from a trip, you actually went across the country and got to go somewhere...

**[00:01:12] Jason:** I did. And I recommend that you don't go through customs at Miami if you don't have to.

**[00:01:16] Alex:** Is that because you're so famous because of the podcast and people kept recognizing you?

**[00:01:20] Jason:** It's like my fans were bothering me, wanting autographs on the book Financial Detox which you can get on [Amazon.com](https://www.amazon.com) or anywhere books are sold. Financial Detox how to steer clear of toxic advice and manage your wealth for maximum impact. It's beautiful. But no, that's not why. I don't have any fans.

**[00:01:40] Alex:** Customs in Miami is just rough?

**[00:01:43] Jason:** It's not that nice. It's not a pleasant experience.

**[00:01:46] Alex:** You left the country then, is that right?

**[00:01:46] Jason:** I did. Don't tell anybody. It's a secret. My wife turned 40 and so I had to celebrate my wife who is so awesome and I love her. She's rad and she's just great. And so we celebrated her 40th birthday and had some fun and it was awesome.

**[00:02:00] Alex:** Just the two of you. No kids, no...

**[00:02:00] Jason:** You left me out of the office for a little bit too so that was cool.

**[00:02:05] Alex:** Any time. Thank you.

**[00:02:06] Jason:** I told you winter is your season... We you get summer, you get winter both of us have to work fall and spring I guess but that's all right. Probably should.

**[00:02:17] Alex:** I mean, like you really are a winter person.

**[00:02:20] Jason:** I don't know why maybe that's because I'm from Utah where it is cold and it's winter, winters are real. I like to get on the skiis and go skiing. I hope we have snow this year. I think we need a good ski year. Last year was really bad.

**[00:02:36] Alex:** And it's like every other year I feel like really with all the, whatever they call it, el nino, la nina, whatever, there's some sort of thing.

**[00:02:45] Jason:** Yeah, we need el nino year. But man like two years ago had 25 feet or something. Or was that last year? That was not last year. they had to dig out the lifts. It was crazy. We have about 30 minutes to have some fun, educate our listeners and help people become financially detoxified. And it's a fun name, Financial Detox but it's very real. At the heart of the matter here. It's so real because so many people we talk to which are hundreds of thousands of people we've helped financially through Labrum Wealth Management and Financial Detox team at Labrum Wealth management but there are just so many toxic thought processes in the environment and in typical thinking of individuals.

It's not just for ignorant people who don't understand finances. Very sophisticated intelligent people have very toxic processes when it comes to finance and investing.

**[00:03:50] Alex:** Emotions. The past two or three weeks with the midterm elections and with whatever else you've been reading about the past two or three weeks I think when it gets really stressful, it's when we make the most mistakes and all those toxic things actually come to the surface really fast. It's like when you're training for anything. If you're training it's really easy to be disciplined when you have good habits and everything is normal. But then if midterm elections come up or...

**[00:04:17] Jason:** Or volatility spikes. But speaking of training, aren't you training for something?

**[00:04:21] Alex:** I am.

**[00:04:21] Jason:** When is it?

**[00:04:22] Alex:** I'm running my first half marathon ever. It's on November 17th. It's a Saturday before Thanksgiving.

**[00:04:30] Jason:** Right, so can I come out like cheer you on like mile 10 or something.

**[00:04:34] Alex:** Catalina.

**[00:04:34] Jason:** Oh, I got to go to Catalina.

**[00:04:37] Alex:** On mile 10 I'll be about 2,000 feet above sea level on a ridge where you can see the Island where they blow it up for the military and stuff. And then the other side is... It's going to be really fun.

**[00:04:47] Jason:** That's cool. Has it been hard to train for half marathon or do you recommend it everybody do it?

**[00:04:52] Alex:** I needed something like a bigger goal that I'd never done before to really get me on some good habits for exercise. And that's why I'm doing it. I don't like running though. I still don't. I walk now.

**[00:05:04] Jason:** I was going to say you're a big boned guy which would be saying you're fat or something. But you're not fat at all. You're not built like a runner. Like I'm a skinny dude. People look at me and they're like, 'You're a runner?' and I go, 'Not really.' But I'm like 6 foot, 195, I'm not like the... Totally not.

**[00:05:24] Alex:** But either way I just never enjoyed running for long periods of time. I do like being outside though. And that to me, I run along the water, the ocean and I love that. It's really good for the soul. So I'm excited to accomplish that.

But back to what we were talking about, the volatility. If you metaphor, if you train, if you're an athlete, if anything you get into good habits but there are things that can knock you off your good habits.

**[00:05:50] Jason:** A vacation, a volatility in the stock market, all of a sudden you forget that you had a discipline strategy and an approach to achieve your long-term goals and if you had developed the most successful high probability way of doing but yeah you totally throw that out the window and volatility comes in. And you start going, oh no. I need to change something. I need to do something I need to mess with.

Or change up metal with my portfolio and that most often is not good.

**[00:06:17] Alex:** Yeah, I even see it with conversations I've had lately even the people that are disciplined they... It's actually kind of sad. Like you see them not make decisions and make any changes but then they just become angry or like they take it out on their loved ones. It's just

bad. It's all toxic. We're trying to free people from this, the toxicity around the emotions around the messing.

**[00:06:39] Jason:** I think of all the things that are stressful, maybe the most stressful is fighting with your spouse or your kids. That's probably terrible. Having an illness in the family but somewhere up in that is having financial stress. And I think what we're trying to help our listeners understand is that you can invest extremely successfully and you can beat performance wise most investors out there by simply sticking to discipline strategies which take away the stress. So if you could alleviate the stress that comes from investing financially whether it's 401k, an investment account and you're retired, and you roll all your money over, whatever it is.

If you can do that with financial peace of mind and a lack of stress, wouldn't that be nice? And I think that's what we're doing. Which brings up a good point, Alex it's because we have this upcoming webinar, which is going to be...

**[00:07:38] Alex:** We do. I can't wait to hear what you talk about, what you say.

**[00:07:40] Jason:** It's going to be great. We're talking about mid-term elections. Here we are in the middle of mid-term elections. It's a wild time, politically charged environment, just hatred and animosity and it's so nasty out there. That's making a lot of people nervous about their portfolios. And it's okay. I understand it because the market doesn't like uncertainty and we as people I don't like having enemies. I just can't stand it.

But you think about what's going on in our environment, it's just a horrible environment for people getting along and just what-not. So the midterm election is a big deal. We're going to talk about that on our webinar and how you should have your portfolio positioned or the things you should be thinking about when you have potential change in power and you have such divisiveness politically. But then also we're going to talk about end of year tax strategies. Because there are some things you could do at the end of the year that could significantly make a difference in your total annual return, after tax annual return.

So, we'll talk about that and we're going to just talk about this volatility because it's the real deal. We're seeing volatility. It is back. Volatility is normal. It's natural. It's supposed to be here. It's part of investing. But it's back and how are going to deal with it? And are you prepared. We want to give you tools and give you some tidbits of information that will make you realize that volatility is a natural and normal part of investing and you don't have to freak out.

**[00:09:10] Alex:** When is the webinar?

**[00:09:10] Jason:** Webinar is going to be on Wednesday 11, 14. That's Wednesday the 14th at 11:30 AM.

**[00:09:23] Alex:** And if you miss that one we're going to have one December 12. So we'll have one once a month or so. We're probably going to start with doing the live events next year when we're... We'll see. Depends on the ski season.

**[00:09:36] Jason:** But what else too, we also have the easy way for you to register. You can go to [financialdetox.com](http://financialdetox.com). You can register right there by going to the events tab and click the link, get registered. Come see us. It's fun. We try and make this fun, investing doesn't have to be daunting, it doesn't have to use a bunch of industry jargon and words that you don't understand. We'll try our best to pull back from that and make sure that we're clear and transparent and you understand what we're talking about.

We'll give you a path for it and if you want our help in ultimately implementing that path then awesome. We will help you implement that. But again, register for our upcoming webinar, it's Wednesday the 14th, at 11:30 at Financialdetox.com and hit the events tab. There you go.

**[00:10:24] Alex:** Some other stuff that's going on now besides midterms. Well, actually this is more than the midterms thing still. We talk about Robert Shiller from time to time. Won the Nobel prize the same year that Eugene Fama did for not opposing but complementing in financial theories.

**[00:10:38] Jason:** It could be thought of as opposing. A lot of people think they are opposing but yet they've both acknowledged that they're actually quite complementary.

**[00:10:47] Alex:** So he came out these past few days and said something about... I love this guy. All the stuff I've kind of headlines on, every single time the midterms are over the market always goes up or whatever. And they'll have different data and it's real data. It's researched and it's evident but he comes out and says something contrary. He says, 'Well, this actually, this might be different,' or whatever.

**[00:11:09] Jason:** This time it's different.

**[00:11:11] Alex:** Right, because of the charged political environment meaning that the markets might actually react in an unpredictable fashion because they might be reacting to something other than what they're used to react to. So it's just an interesting thing. I think it's a sensational headline. Shiller is a smart guy.

**[00:11:29] Jason:** He is. And I think there's some logic to that too if you think about it. I've never in my life, in 21 years of doing what I'm doing now providing financial advice and helping people financial planning, meeting their goals and objectives and all that good stuff. I've never seen a politically charged environment like this. And I think that causes uncertainty, that causes nervousness and that causes people to do irrational things and if people start selling then computer programs start selling, there could be some volatility.

But here's what I think I would add to that is if you're an investor for three years, five years, ten years and the only reason you aren't an investor for three, five, ten, fifteen, twenty, thirty years is if you have a need for all or a large portion of your money that you're going to spend, all that money at one time in that time frame. Like in the next two years, I'm taking 100% of my money and I'm running away to an island and I'm going to store it in cash and I'm going to hang out on the island and slowly distribute my cash to live...

I don't think there are any people listening are going to do that. Here's another example. I've clients all the time that are about to retire. Sorry, we have clients tell us 'I'm about to retire' and they have the toxic thought process of I'm retiring I'm done investing. I invest till retirement then I'm done. We remind them gently that that's really the beginning of your investing. That's when you really have to take care and invest correctly but you're still invested your retirements 20 or 30 years. Your life expectancy, you have to invest so that then you can create income from your portfolio.

And that's what a good advisor would do. They would show you how your portfolio and the structure of that portfolio is going to be able to sustain all of your future expenses and pay for all of your future needs and either maintain that portfolio or slowly dip into that portfolio because that's why you saved it or maybe even grow it and sustain.

**[00:13:37] Alex:** It's funny. As we were building this online beautiful digital experience, right now we're towards the very final stages of it being launched. And one of the questions that is on every risk questionnaire and every management agreement, if you're an investor listening. You've done this before, you've either filled it out on paper or you're filled it online and there's always this question in there. There's, 'What is your time horizon for this investment?'. So I pushed back on our team, I said, 'I don't even want that question. Unless there's only really one option.' So the option is either I'm an investor forever or I for some reason have a need for this money within the next year.

Have a specific goal. And if they click that box we don't even want to contact. Obviously I was being a little bit facetious, but I'm really not when I say either you're an investor forever or then you're something else to us. I don't know

**[00:14:30] Jason:** Short term, single goal. Like here's an example of a short-term single goal. College savings. Say if I'm investing money for my kids to go to college that's a predefined term, it's not forever. That's only one of many accounts then. That is only one of many. How about if 'I'm investing to save money for a down payment.' Well then that's for a separate account that you specifically and that account should be a low volatility account aka low risk. Show be a low volatility account because you have a specific need for that money at a specific time which is hopefully not too far away.

**[00:15:03] Alex:** It's interesting. I don't know how we got on this...

**[00:15:07] Jason:** It's a great topic though because when you think about...

**[00:15:08] Alex:** Oh, volatility. Why are you scared of volatility when it's such a short-term thing? In history, so if you look back since the beginning of investing data exists, you have this pieces that you've been sharing with our team on volatility which we'll send you for free if you email [jason@financialdetox.com](mailto:jason@financialdetox.com).

**[00:15:25] Jason:** Yeah, we'd love to share them with you. I got a little volatility package which will change your world and how you think about the markets. And sorry, I don't mean to derail what you're saying but super intelligent, super sophisticated, very well to do client was really nervous about the recent market volatility. We went through this pack. And he's like, 'I've never thought of the markets like this. I didn't realize that. I never thought about it like this.' I say, 'Well, most people don't because financial toxicity is rampant in our society.'

**[00:15:56] Alex:** We have very short memories.

**[00:15:57] Jason:** We have very short memories. We have a lack of financial education, we have a lack of solid experience, we have a financial system that's designed to sell products for the most part that make the most money for the financial firms and advisors not to benefit the clients. And all those broken things contribute to the financial toxicity that exists inside all of us.

**[00:16:19] Alex:** And so back to how this even started. There was a very smart man, Robert Shiller was saying something that is bearish. It's kind of a bearish thing to say and he put that out there in the news world. But then the very same day, I think it was, another very smart man Warren Buffet announced that last quarter they made, the first time in six years, they bought back almost \$1 billion of Berkshire stock. So he decided as a board with their investment arm to buy back their own stock which is something that it is interesting when you look at when companies do that and why they do it for different reasons.

It's a bet on themselves, right?

**[00:16:55] Jason:** Right, and I mean you can think about it in two ways. A, we have cash that I don't have anything else to do with.

**[00:17:06] Alex:** \$1 billion of cash.

**[00:17:06] Jason:** Right. It's a decent amount. You can get by on that. So he decided to do what with his money, to buy back his shares. He thinks his shares are really fairly valued at this time and that makes sense to buy them or he may just literally not have anything else to put the money in that he likes better.

**[00:17:25] Alex:** That's right. So it's the opposite, it's a contrary end even this Shiller guy because Shiller is bullish and Warren saying I'm doubling down on my own company and last time he did this which was interesting. Back in 2012, they were up 147%, the A shares and the B shares were up 144%, almost the same. That's even more than the S&P, and Dow since

2012. So it's interesting thing just, I guess the point of that is the news is not meant to help you make decisions about yourself and your investments. It's interesting and it's like that's where it kind of stays.

**[00:18:00] Jason:** Well, for the most part it's completely and totally sensationalized and it's fake. Not fake but it's just not useful to you. And it's sensationalized. I mean one of the hosts of a popular financial program was like apologizing the other, morning. I've talked about this on social profusely because he didn't have two very contradicting points of views back to back. He had two positive points of views, or bullish points of views back to back. And he's like, 'I'm so sorry to do this, I'm so sorry....' I'm like, 'You're telling your secrets. The secrets out there trying to create very contradictory points of views to keep you as a listener very attentive and nervous and paying attention.'

**[00:18:44] Alex:** Yeah because everybody else probably changes channel. They're like, 'This is boring. They agree with each other, I don't want to watch this. 'Want to see a good fight?' You want see like a reality TV show, the reality news TV show. Anyway, we should probably move on to what we call the strategy of the week. So we like to give a little nugget of actionable information and it may or may not apply to you specifically. I think this one applies to almost everybody listening.

**[00:19:05] Jason:** What is it?

**[00:19:07] Alex:** Something that we live in is very near and dear to our firm, in our history and our past. It's 401k. the 401k is everywhere. Almost everyone has a 401k now. And so one of the things I think in listening to a show like this and hopefully being able to take away something you can go and do something about and not listen and be confused about what Shiller or Buffer said or didn't say. But it's more about what is a good 401k look like in terms of you personally? So if you make \$60,000 a year how much should you be saving.

How should it be invested. How do you know how it should be invested? How do you set yourself up so that that particular part of your automated savings are going to help you accomplish your life long goals.

**[00:19:51] Jason:** And it's probably going to be a really big part of your future. It's going to be one of those tools that you have to meet all of your future expenses and to supplement your retirement lifestyle. It maybe something you use to eventually start a business or maybe something you use to help your... But who knows. It's becoming more and more important as the environment shifted from long ago the defined benefit plan where the employer made all the contributions and you had a pension to now it's defined contribution where you make the contributions and then you're going to create your own pension income off of that 401k balance.

And there's so many ways to do that. There's so many ways to invest in your 401k and people generally are not taking enough time to understand what it is, what options they have and so I think that to summarize this, number one you should be contributing to your 401k. Hopefully you

have some kind of match. And if you're not utilizing all of that match, you're really giving away an opportunity for free money from your employer.

**[00:20:59] Alex:** I'd go even further. I'd say like what is it...? So if you just got your first job or if you just haven't really thought about this before, here's what a good starting point I think would be. Save at least 10%. Whether there's a match or not. Save 410% because it's forcing yourself to save money and build wealth.

**[00:21:16] Jason:** And where else are you going to save 10% and actually do it. The nice thing about setting up the 401k is once you forget about it, once you set it up you will forget about it and you will be saving it and it will grow and it will compound and it's a life saver down the road. So we talk about starting at 10% minimum and then going to maybe splitting that half to traditional, half to roth if they have a roth option. So you're splitting up your taxability today and...

**[00:21:43] Jason:** Should we take a minute and tell them the difference between traditional and roth?

**[00:21:44] Alex:** Probably good idea.

**[00:21:45] Jason:** I think it matters. In most 401Ks nowadays, you have an option to do the traditional 401k or the roth 401k. And the traditional 401k gives you a tax benefit today. So if you save a \$1,000 you're now not going to pay tax on that \$1,000. So it reduces your taxable income and that will grow tax deferred. Tax deferred meaning the tax is deferred. And some day when you take that money out hopefully it will be in a lower tax bracket you'll then pay tax on that income. You may also have the roth option.

The Roth 401K where you can now put money in and you pay tax today. So the money goes in after tax but it now grows not tax deferred, it now grows tax free, forever and indefinitely. So typically the younger you are, typically the lower tax bracket you're in, the Roths make more sense.

**[00:22:39] Alex:** As a general guiding strategy for this week we've got, so split it 50/50 let's say? Not a bad way to go, if you're not sure if you're not a tax expert on your own situation. Then you've got, how do you invest the money? So what we do and you might be able to do this by yourself, it's just figure out what is the required rate of return? How much money do you need to grow your money by every year in order to get your long-term objectives. That might be 6% a year, it might be 7%, it might be 8%. Whatever it ends up being we tend to like target day funds, I would say more or less.

**[00:23:12] Jason:** Well, the option if you don't have a target date fund there is some new stuff coming in the 401K space which is going to be really neat and we're actually involved in close to the people bringing it to market and it's a different kind of target date fund. That's more customized towards you and how much money you have saved, and how much you're saving,

that's really special and it's coming. It's actually out there right now but it's just getting launched. So it's really neat. But I like the target date funds because the target date funds give you a totally proper diversification across not only US stocks, not only large cap and small cap and mid cap but also international stocks; large, mid and small.

And in emerging markets stocks and fixed income in a balance that is appropriate given you turning 65 or 66 and retiring and having that portfolio automatically get more and more conservative as you get closer to that retirement age. It's kind of the plug and play do it for me model which often times doesn't cost anymore and it's all done for you versus you going to pick all your own investment options and then you have selection issues you got to decide where am I going to put the money. And unfortunately, most people chase the most recent best performer and they put a lump sum there and then they pick the second performer and they put a bunch there and they end up with a whacked allocation for lack of a better word.

Eventually that doesn't turn out very well, whereas that target date funds give you a better chance of having the right diversification and allocation.

**[00:24:43] Alex:** Automatically re-balancing. And then finally auto escalate, which means you can automatically increase your contributions every year automatically. You can usually select that and click a button and say I'm already at ten every year, it's going to go up by 1% a year, the next year going to be 11%, then 12%... Eventually you're maxing it out.

**[00:24:58] Jason:** You can say I'll stop at 15% or whatever.

**[00:25:01] Alex:** That's it for the strategy of the week. I think it's important, I think it applies to almost everybody listening and we can help you more if you want to reach out to us we can walk you through this in more detail more specific to you.

**[00:25:11] Jason:** Yeah, and you should because it's a big deal. There's a lot of choices to make and just taking five, ten, fifteen minutes and reviewing those and make sure that you're pointed in the right direction, we'd be happy to help you. So send an email to [jason@financialdetox.com](mailto:jason@financialdetox.com). That's [jason@financialdetox.com](mailto:jason@financialdetox.com) or you can give us a call at 877 707 88 89. We want to help you and so let's close up here Alex because our time goes by so fast.

So upcoming webinar, we're going to be talking about the midterm elections, the political turmoil in the markets right now. The recent volatility we're going to help you clear this up. You don't need to be panicked, you don't need to be stressed out. We're going to show you a path forward given all that's going on in the markets right now and how you can achieve financial peace of mind and meet your goals and objectives.

That's coming up Wednesday 11, 14. On the 14th. Wednesday the 14th at 11:30 AM and you can register by going to [financialdetox.com](http://financialdetox.com). Click on the registration link there under the events tab, that's [financialdetox.com](http://financialdetox.com). We'd love to have you there. It's going to be fun. We'll answer some

questions after. It will be short and sweet but it will be jam packed, full of great useful information. We always have \$100 portfolio, physical portfolio challenge that we offer. If you want to take us up on that please do. We would love to take a look at your current portfolio.

If we can't show you measurably how to improve that portfolio, we're going to send you \$100 cash or \$100 visa card just for your trouble and that's it. If we can't help you, if we can't help you. I bet it's going to be worth more than 100 bucks. So there you go. That's what we got. Financial detox. And Alex thanks so much for all of your hard work and helping people become detoxified.

**[00:26:52] Alex:** No problem.

**[00:26:52] Jason:** All right, signing out. We'll catch you on next week's show. remember, check us out on KCBQ, the answer in San Diego on AM 1170 or FM96.1. This is Jason Labrum with Financial Detox, until next time.

[END]