

Speaker 1: This is Financial Detox, helping you retire with confidence, featuring Jason Labrum, certified financial planner and founder of Labrum Wealth Management.

Speaker 1: For over 20 years, Jason has show people how to steer clear of toxic advice, achieve financial peace of mind, and manage their wealth for maximum impact. Now, he wants to empower you to do the same. Join Jason and cohost Alex Klingensmith as they simplify the complex, share industry secrets, and provide proven strategies designed to take you from financial insecurity to financial independence. This is Financial Detox.

Jason Labrum: Hello, and welcome to the show, this is Jason Labrum, your host of Financial Detox right here on KCBQ, and on podcast played on AM seven ... Oh, my gosh. What are we on? All these channels, I forget, it's too much, it's too fun, it's everywhere. The Podcast Financial Detox, KCBQ, San Diego, The Answer, AM 1170, or you can now pick us up on FM 96.1. That's right, FM 96.1.

Jason Labrum: We are so glad to be here with you, helping you become financially detoxified so that you make better investment decisions, avoid the great behavioral blunders that most investors make, and meet your financial goals and objectives.

Jason Labrum: What's up? Alex Klingensmith in the studio with me, as always.

Alex: Yeah, not much. It's actually raining in Carlsbad,-

Jason Labrum: It's beautiful, isn't it?

Alex: -California.

Jason Labrum: Isn't this amazing, because when it's raining here, that means it's snowing there.

Alex: All you think about is snow, isn't it?

Jason Labrum: Well, during this time of year, yeah, this is what you're supposed to think about.

Alex: It's so funny.

Jason Labrum: It is great, I can't wait. I mean, we're going to have a good year it looks like. I mean, Colorado's got tons of snow already. We've got great snow up in Montana, and even Mammoth has already got some great snow. I think by the end of this weekend they should have everything open, whole mountain.

Alex: Yeah. Holy cow.

Jason Labrum: I'm fired.

Alex: It's like a winter wonderland for you. It's like a Christmas present that only God can give you.

Jason Labrum: It came early, and I did some Christmas shopping. I'm curious, I wonder how many of our listeners are going to do the majority of their shopping online, because I'm already done Christmas shopping for myself.

Alex: For yourself? Oh, wow.

Jason Labrum: It's all online.

Alex: Oh, yeah, we don't ... Well, I guess I can't speak for my wife. We haven't actually gone anywhere shopping, it's been two or three years at least, that I know of. I mean, I don't, it's all Amazon.

Jason Labrum: [crosstalk 00:02:29] You know that the younger generation must be doing that too, even more.

Alex: Yeah.

Jason Labrum: What does that eman? What does that bode for retail?

Alex: Well, what's interesting about that though is that ... I know where you're going with that, but then you look at ... I read about the Amazon ... There's a Seattle prototype bata store where it's this smart store. There's a couple other companies that have started doing this.

Alex: Even though Amazon is able to capture all of these retail consumers virtually, without having to go into brick and mortar, they've built a brick and mortar.

Jason Labrum: Why? I don't understand.

Alex: Because it's cool.

Jason Labrum: Just because it is cool to go there. Well, to see and touch stuff. This

Alex: This brick and mortar has no employees in it.

Jason Labrum: What?

Alex: You walk in, and it scans you, and it scans your phone, and it scans your credit card, whatever. I have to read the story again to really understand it, but it was so cool, and like Star Trek type.

Jason Labrum: Whoa.

Alex: Everything's there, and it'll read your patterns and direct you.

Jason Labrum: What are you buying in this store? Amazon, you can get anything. Am I buying a rake, [crosstalk 00:03:22] and then I'm turning around and buying a phone?

Alex: I've never been to one, but if anybody listening lives in the Seattle area or wherever these ones are-

Jason Labrum: Would you call us?

Alex: Well, yeah, teach us because it sounds cool. You never actually have to engage with somebody at the front. You don't have to pay because it just charges you on your way out. It reads what you take in and just charges you. How's that for-?

Jason Labrum: Yeah, by all means, let's not have personal interaction.

Alex: It's crazy, right? I don't know, I think that it is a new world that we live in, as always, but ...

Jason Labrum: But that's great, right? People talk all the time about 'Bam, things are changing. The market's going to continue, the market's going to do this, the market's going to do that.'

Jason Labrum: The reality is, companies are going to create, innovate. They're going to distribute products and services for a profit. As long as companies continue to do that, then there's opportunities to invest in markets, right?

Alex: Mm-hmm (affirmative).

Jason Labrum: I mean, that's the real deal.

Alex: Amazon Go, it's the world's most advanced shopping experience.

Alex: If we had like a team of people that ... You know how, when you listen to NFL's football games and stuff?

Jason Labrum: Right.

Alex: Those guys sound so smart because there's people feeding them actual data. We don't have those people, do we?

Jason Labrum: So, we don't sound smart?

Alex: Maybe sometimes. As long as we stick to what we know about.

Jason Labrum: [crosstalk 00:04:34] Right, yeah, because they've got the live feed coming in on "Hey, you're talking about it," and they'd be all, "That's called Amazon Go, dodo."

Alex: Yeah, I know, we need one of those people.

Jason Labrum: We need one of those. Why don't we have one of our ... Andrea could do that. She could feed us information.

Alex: Andrea? She's also busy doing a lot of other things for us, but cool. She's great.

Jason Labrum: Yes.

Jason Labrum: So, exciting news at the Labrum Wealth Management, right?

Alex: What, what happened?

Jason Labrum: What do you mean?

Alex: What's the news?

Jason Labrum: Well, the news that we now have a Scottsdale office, and great new talent on our team, an unbelievable group of people led by Jim Pupillo, the founder of LDI, has now become part of Labrum Wealth Management. We have a new brand coming out. We're going to rebrand. It's pretty special what's going on, I think.

Alex: That is really exciting news. I didn't know we were sharing it now.

Jason Labrum: I didn't know either.

Alex: That's great. Well, we're allowed to, so let's talk about it.

Jason Labrum: We are?

Alex: So, what happened and why?

Jason Labrum: Right, so, well, what happened is-

Alex: What did you do?

Jason Labrum: We met through normal course of business, and things we're doing, and 401K product we're building. We met this team of advisors in Scottsdale, Arizona, that have been together for 20 years. We had just some phenomenal synergies, and a really good natural fit, and it made sense for us to come together.

Jason Labrum: We acquired them, and we're merging the businesses, and it's going to be absolutely awesome. It gives us a nice footprint in Scottsdale, which our clients would say "Why does that matter to me? Why does that help me?" Maybe it doesn't, the fact that we have a Scottsdale office, but what does help is that we're able to add very intelligent people to our team, which creates a greater collective knowledge that then we distribute to our clients through investment

portfolios and financial planning. It allows us to be more specialized and focus more on our clients.

Jason Labrum: Yeah, we don't want to become, or we're not going to become, a multi-trillion-dollar firm, maybe, probably not, but even if we were a \$10 billion firm and we're 800-million, we would still be a small firm, and be able to provide extremely nimble and personal service to our clients. It's really exciting. It allows us to-

Alex: It's awesome.

Jason Labrum: -scale better, more efficiency, better service to our clients.

Jason Labrum: But yeah, definitely, you're bringing more people and more talent to a team. Growth is good, right? If your financial advisor is the same size of firm, or doing the exact same thing they were doing 10 and 15 years ago, that's probably not good. I mean, they're not being innovative. They're not being creative. They're not thinking outside the box. They're not expanding their own horizons, growing.

Jason Labrum: Growth is good.

Jason Labrum: This is Jason Labrum, your host of Financial Detox. If you want to get a hold of us, ask a question or even call into the show live. We can tell you how to do that. Simply get in touch with us at 877-707-8889. That's 877-707-8889. You can also shoot an email right to my inbox, Jason@FinancialDetox.com. That's Jason@FinancialDetox.com.

Jason Labrum: Our shows are on Saturday at 1:30 on KCBQ, The Answer. That's AM 1170 or FM 96.1. You can get the show on any podcast anywhere. That's iTunes, that's Google Play, that's Stitcher, Podcast Player, you name it. You can get Financial Detoxed anytime, anywhere because this stuff matters, Alex.

Jason Labrum: Let's talk about some of the things you can't control that are going on right now.

Alex: You know, the feds, it's always interesting. Whenever they say "The fed is going to say something," everybody pauses, right?

Jason Labrum: Right.

Alex: Markets go a little crazy because half the people are probably thinking something, and half the people are probably thinking something good, and no one knows what's really going to happen and what it even means.

Jason Labrum: Yeah, huge point gain this week. We had a 600 point gain on what day? What day was that? [crosstalk 00:08:27] Tuesday? Yesterday? [crosstalk 00:08:28] We record on ... What day is today? What is today, Wednesday or Thursday?

Alex: This is not a live recording is what Jason means, that you can't actually call us right this second.

Jason Labrum: Right. You can't call us right this second because we record. To be available every Saturday at 1:30 is challenging, so we record live and then we play it.

Alex: Wednesday, most markets, US, international, and emerging, I think, all went up 1 or 2%, which was nice.

Jason Labrum: 2% by the way.

Alex: 2%, okay.

Jason Labrum: Yeah.

Alex: So, [crosstalk 00:08:54] because [Powell? 00:08:54] came out and said things that [crosstalk 00:08:56] that they're not going to raise interest rates again, I think. Is that what that means, right?

Jason Labrum: Right, exactly.

Alex: Basically, in simple language. So, counter to it, what if they came out and said, "We're going to raise interest rates?" What do you think would have happened?

Jason Labrum: The market would have went down 600. The point is, all of this doesn't matter, it's short-term processing of information It is the markets processing new information. Over the short-term, it will not affect long-term companies creating goods and services, and selling those goods and services for a profit. You can not get wrapped up in this.

Jason Labrum: If your job is an economist, and you are supposed to report the news in the economy to people, you should be wrapped up in it. If your job is an investor who's trying to meet their financial objectives over a certain period of years or time, this is not your thing. This provides you no benefit to understand or to try and guess what's going to happen. If you change your portfolio based upon those things, you will result in behavioral blunders and less total return.

Alex: I've got a question for you then.

Jason Labrum: All right. Here we go.

Alex: I'm going to put myself on the spot. Well, no, but we're expected to be more or less intelligent as a human being. We're supposed to be informed, like "What's going on?"

Jason Labrum: You mean "we," or who?

Alex: I'm speaking general about "we," our clients, ourselves. In society, it's an expectation that you're an informed person, you read, you watch the news, you listen to the radio, you get information. You get all this information.

Alex: I have a conversation with my friend or family member over a holiday like Thanksgiving or just in regular dialogue. I want to maybe know that I'm paying attention to the world around me and not just living in a void. What do I do with this information if I'm not supposed to take action on it but I'm supposed to at least be able to communicate about it? How do I balance that in my mind, my demons, I guess? You're supposed to know about stuff, do something about it other than just talk about it? What do I do with this information?

Jason Labrum: Right. That's a great question. I think it is important to be in tune. We are by no means telling you or our clients to stick their head in the sand and don't pay attention to the world and what's going on in the world. There can be influences that transcend over several years and things that are happening. I think small adjustments to have the right attitude, the right personal spending, the right investment portfolio, given those things.

Jason Labrum: Look, when interest rates were at 50 or 60-year lows and the yield curve is flat, we're not going to be in long-term bonds, it just doesn't make sense. There's a tactical behavior we're making because of the global macro economic environment. I think it pays to know those things. I think overall, you just have to know what's going on. I mean, we do, as humans, have some influence over things, right? We can vote.

Alex: Also, maybe an intelligent answer to somebody who asks you "Okay, so you're kind of stressing about trade wars, and interest rates, and Bitcoin, or Cryptocurrency. What are you doing about it?" Well, I'm going back and making sure the way I'm invested makes the most sense for me. [crosstalk 00:12:10] That's the most intelligent answer you could give to that question, right?

Jason Labrum: I think you can even say, given the environment or the global macro economic themes, but you have to be very careful to not take that too far. Taking that too far means "I'm in," or "I'm out," or "I'm all in." Doing anything to the extreme because of a headline is likely going to result in a mistake.

Jason Labrum: However, making small shifts, like we're talking about in our investment philosophies and strategies, adding in a little bit more global macro economic thematic thought processes to take advantage of certain things. The pendulum does swing from far out to one side to back to the middle, spends most of the time in the middle ground, but there are times when the pendulum is on one extreme. Now, we already do that through a systematic discipline process called Tolerance Boundary Balancing.

Alex: Oh, boy. Here we go.

Jason Labrum: Yeah, there you go. That means that we simply rebalance the portfolio, or the different asset classes in the portfolio, once they break through our maximum or our minimum tolerance spans.

Alex: We sell high and buy low.

Jason Labrum: We sell high and buy low. It's a beautiful [crosstalk 00:13:25] discipline strategy. There's even, could you pay more attention to that? Do you want to be long residential real estate right now, and interest rates are going up, and things are softening? Maybe, maybe not. You make some small tactical shifts.

Alex: For an example of not doing a small tactical shift that was brought to us, I, everyday last year, was buying Cryptocurrency. Remember that?

Jason Labrum: I can't believe it.

Alex: Where are we today with Cryptocurrency, and Bitcoin, and all that stuff?

Jason Labrum: We had Bitcoin, which we had a lot of clients saying, "Jeez, are you paying attention to Bitcoin? Should we be in Bitcoin?", and so on and so forth. We were just like, "I don't see it. We don't see it, don't understand it. I can't get my head around it, how it works with the mining, and who's going to make money on Bitcoin." Where's the profit, right?

Jason Labrum: If I buy Apple, I know that they make money by selling phones, and Cloud service, and they do all these things. They have something they're delivering of value. I just couldn't understand and get my head around Bitcoin. We said, "Look, if you want to own it, if you think this could be the new technology that changes the world." Is it actually going to be Bitcoin?

Jason Labrum: I mean, think about when the internet started, and all the different pieces to that puzzle, and how many of them existed and made money as they were. Most went away.

Alex: Yeah, and then, you know, it's free. People don't actually make money buying-

Jason Labrum: Well, Bitcoin's free, right?

Alex: It's just a currency trading it. We had never been currency traders. Why would we be currency traders now because there's a cool way to do that?

Jason Labrum: Let's keep this going. I want to talk more about Bitcoin.

Jason Labrum: We've got to take a quick break here. We'll be right back in just a moment, and we're going to finish up talking about Bitcoin and strategy of the week. Stay with us.

Jason Labrum: This is Jason Labrum, your host of Financial Detox, 877-707-8889. We'll be right back.

Jason Labrum: Do you know what you're actually paying your financial advisor or stock broker? You should. Is there a plan? How clearly does your advisor explain that plan?

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Jason Labrum: All right, welcome back to the show. This is Jason Labrum, your host of Financial Detox, and we are the Financial Detox team at Labrum Wealth Management, soon to be IDA intelligence-driven advisors.

Alex: IDA, like IBM or BMW?

Jason Labrum: IDA, IDA. Brand change coming up, and it's exciting and new because we made an acquisition of a new firm out in Scottsdale with a wonderful team, super talented human beings. We're just really excited about that.

Jason Labrum: What we were talking about right before the break was Bitcoin and how a lot of investors, big, well-known, disciplined, strategic investors, said, "We just don't get it. It's a fad and it's a phase." Bitcoin was trading at 20 thousand-ish, and today or yesterday it was at 34 hundred from 25 thousand. Today it's at 41 hundred. It's interesting how people wanted that because it was a fad. Everybody else was getting it and they were afraid of missing out. One of the two things that seem to drive behavioral blunders in the market, more than anything else, we talk a lot about this in the book Financial Detox, which you can get anywhere books are sold ... That was a shameless plot wasn't it?

Alex: It was good.

Jason Labrum: All right.

Alex: You are the author, you should be proud of the book you wrote. It's your first book.

Jason Labrum: Yeah, it is. It was. It was fun.

Jason Labrum: Okay, but behavioral blunders are lead by fear and greed.

Alex: Fear and greed.

Jason Labrum: Greed is "People are making all this money, I feel I'm missing out," so there's fear and greed now.

Alex: How about Black Friday or Cyber Monday? That's greed in a way, in a sense.

Jason Labrum: Yeah, that's stretching. That's reaching.

Alex: Well, I don't think so. I think it's real, because people are like, "I need to buy something because it's going to be the cheapest that day." What if you don't even need the thing to begin with?

Jason Labrum: Well, what if you do need it? Then that was smart shopping.

Alex: Okay, well what if-?

Jason Labrum: What if you needed a new pair of Line Pescado Skis?

Alex: For example.

Jason Labrum: Yeah, what if you bought those and then just went ahead and bought a new pair of boots too?

Alex: It's the same thing, it's emotionally-driven decision making. Buying Bitcoin, going in and selling Coinbase on your phone, transferring \$10 thousand to Coinbase. That's what it's called, right?

Jason Labrum: Right.

Alex: Buying at Litecoin, a theory of Bitcoin, and then thinking you're going to become a millionaire is crazy.

Jason Labrum: What about all the parties, man? People got to go to the Bitcoin guys with the big beards and really trendy hipsters, and they were all going to be multi-billionaires. They went to parties and they had dancing girls.

Alex: We shouldn't discount what really is there. There's a really interesting and valid technology.

Jason Labrum: Technology, I agree.

Alex: Blockchain is behind, there's really good stuff there.

Jason Labrum: But how do you invest in that? It's difficult.

Alex: You can't just go and throw a portion of your portfolio in something like that. You just don't do that.

Jason Labrum: I acquainted it too, and you brought up the example earlier, it's like the internet. Who makes money on email, right?

Alex: Yeah.

Jason Labrum: Blockchain, let's say it is a great technology, but who's making money on every email you send? Nobody. Who's making money on the internet? It ends up being the providers that make value around that. It may end up being a payment processing company, or it may be a new cash card.

Alex: Or advertisement too, yeah.

Jason Labrum: Advertising. Think about a cash card instead of using a credit card. I mean, credit cards are charging merchants somewhere between 2 and 5%, right?

Alex: Yeah.

Jason Labrum: Then you have to pay the credit card off, then they give you points, and it's such hogwash. If you ever have to go through getting a new card, like for a business, which we're going through, it's ridiculous. Why not just have a cash card that hits your bank account and you pay it with cash?

Alex: That wouldn't be as fun for them to make money off of.

Jason Labrum: But if you have cash card, then the card makes money from the merchant, right? Maybe it's 1%, so all the merchants love it if you use it, because they don't have to pay 2 or 3. The card makes money and it's a cash card, it debits from your account.

Alex: That would never work.

Jason Labrum: I'm starting that. It's going to be called the IDA cash card.

Alex: I think they already have what you're talking about, but it doesn't quite make-

Jason Labrum: Oh, that's called the debit card.

Alex: Well, yes, it's called a debit card.

Jason Labrum: That's a debit card, but the debit cards aren't getting money from the merchants.

Alex: That's why they try to sell you all the other stuff on top of it, so they can charge you interest and they can finagle points into things that will cost you more than what you think it costs [crosstalk 00:20:15].

Jason Labrum: Right, I hate the finagling. Did I just get finagled on a new business card?

Alex: No, you kind of have to have one, but anyways, we're getting completely off topic. We've got to deliver the strategy of the week before we run out of time, right?

Jason Labrum: We do.

Jason Labrum: The point is, don't chase fads, don't chase returns, don't chase the hot dot. It rarely, rarely works. If you're going to do it, do it with a small allocation. Heck, if you put \$100 in Microsoft when it was ... It might be one thousand, I looked this up yesterday. Put a thousand dollars at the IPO of Microsoft, you ended up with 1.6 million today. You don't have to allocate ... If it's really that great, you don't have to allocate a bunch of your portfolio to it.

Alex: It's gambling now.

Jason Labrum: If you do, it can go away.

Jason Labrum: Instead of looking at how much risk you could tolerate in building a portfolio, that doesn't solve for any objectives. That doesn't move you forward. All that does is find out "When do you get sleepless nights, and when do you get sick to your stomach, and vomit, and panic, and sell out at the wrong time?" How's that helpful as opposed to "Figure out what your target rate of return is."? We're just reverse engineering the thinking here. Not how much risk I can handle, and then give me a portfolio that delivers that, that's irrelevant. That doesn't make you solve your goal.

Jason Labrum: Instead, figure out what all your future expenses are. What are you solving for? What is the financial goal? "What rate of return do I need to have on my money to achieve my goal?" All of a sudden, now you may find you're in a lot lower risk portfolio, you're a lot less emotionally attached to the market. You're going to be a lot less apt to make a behavioral blunder and panic when the market goes down because you're solving for a target rate of return that achieves your financial goals and objectives. Could be stated otherwise as "Solves for your future liabilities," but I think it achieves your financial goals and objectives, that's find that rate of return.

Jason Labrum: We can help you do that and we would love to help you do it. One of the great ways is to take our portfolio challenge, or our portfolio physical, where we take your portfolio and dissect it, and analyze it, and look at all the different parts of it, and then we'll even stack it right next to a portfolio that we would manage for somebody of the same target return focus of you or target return

demographics as you. Then, we'll let you know if there's shortcomings or weakness in your portfolio, just like a health physical, and show you how to fix those. We can also just focus on helping you get your "What is the rate of return?" That's really done through financial planning, cash flow financial planning. That's what Financial Detox and the Financial Detox team is about. If we can help you do that, then you're going to stay the course, you're going to have a set philosophy and strategy. There's going to be a much higher likelihood that it works out.

Alex: That's it, strategy of the week.

Jason Labrum: Strategy of the week.

Alex: Take us up on it, email Jason.

Jason Labrum: Yes, Jason@FinancialDetox.com. Find your target rate of return that helps you meet all of your future goals and objectives as opposed to doing a risk tolerance questionnaire. Risk tolerance questionnaire is prehistoric, it's done, it's over. It's not the best way to build an investment portfolio or a financial plan.

Jason Labrum: That is the strategy of the week. Do it or let us help you do it. Call us at 877-707-8889. That is, 877-707-8889.

Jason Labrum: I am Jason Labrum with the Financial Detox team at Labrum Wealth management. Alex Klingensmith, who's always in here helping me make this show happen, thank you Alex for your work and your help. Thank you to KCBQ, The Answer, AM 1170 or FM 96.1. This is Financial Detox, until next week, have a wonderful time. Enjoy the rain in Southern California. Bye-bye.

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