Ep #305: Alastair MacDonald - Economic Analysis in a Highly Volatile Market (Part 2)

Full Episode Transcript

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Dr. David Phelps

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David Phelps: Good day, everyone. This is Dr. David Phelps of the Freedom Founders Mastermind community and Dentist Freedom Blueprint Podcast. Today, back to you with part two of my conversation with Mr. Allistair McDonald. If you missed last week, you'll want to go back and pick it up, but you can jump right in this week with our discussion on inflation versus deflation. Where are we likely to go forward in the US economic positioning with all the federal stimulus that we've had, not just in the last six months with the CARES Act and coronavirus pandemic, but also going back to the Great Recession back in 2008 2009 and '10 when we had again, trillions of dollars pumped into the economy. Where does this money go? Do we have inflation? Do we have deflation? What's the story here?

Interesting conversation, I'm not saying I agree completely here. I do believe we may go back to the 1970s when we had what was called then stagflation, inflation with a very anemic economy. Coming forward with the Biden administration, coming into play here in January, I don't see that our economy continues the way it was under Trump. Again, not giving full credit to an economy that has been built on a house of cards with massive debt. Both Republicans and Democrats are guilty.

But I just don't think that the Biden administration can carry on and keep the economy as exuberant as it was, in the last four years, we will see. Inflation, that's another story. I think you've got to hedge. But again, listen to the conversation with Allistair because he makes some very good points. I'll catch you on the other side.

By those alpha voices, the contrarians that are typically muted by the overwhelming pundits out there, as you said, the bobble heads that are speaking about how this, this goes on and on. So Allistair, let's talk a little bit about the, obviously a lot of the uncertainty, the volatility ahead. We've just gone through COVID mandated shutdown the economy, unemployment, the unprecedented stimulus that's out there. How far can our Federal Reserve and this government keep kicking this can down road? I know you can't exactly say, but what potentially, we don't know what time, but what happens? What happens to the dollar as the reserve currency? When do we start to see it become worthless? Do we have potentially deflation? Breaking up the asset bubbles here in the next two years or whatever? And then we see inflation on the backend. Give us some of your thoughts about the markets as we go forward. I know there's a lot of questions we have in the chat. You want to go there a little bit?

Alastair MacDonald: Yeah. The inflation deflation one, I definitely have some thoughts and opinions to share. And I want to be... I think I can completely understand. So just to frame the context of where we are, there is a deep, and I mean, deep, deep structural and fundamental misunderstanding about inflation in the United States. And I say that as somebody, just to put some context here, by the time I was 20 years old, I had more employees than I had years of my life, and I did a terrible job of managing them. But one of the things that happened as

Zimbabwe became the fastest imploding economy on Earth, is inflation skyrocketed, reaching a point of over 18,000,000%.

And what this meant is, I as a kid was working with and for my dad in high school, and over the course of between when I was 12 to when I was 18, we went from delivering, I would go with the driver to make deposits every Friday at the bank. When I was 12, I remember, sitting there, it was in a fishing tackle box, and all the cash to be deposited in the bank was in this tackle box. And it was this whole decoy, it looks like this kid with a fishnet, never going to be stopped. By the time I was 18, we had four trunks, steel trunks in the back of the truck with cash. But nobody was making any more money, there was all inflation.

Just prior to my departure from Zimbabwe, with inflation running at 18,000,000%, just to get a sense of what this means, we had to pay employees twice in a day. Because what we paid them at lunchtime to buy food would not buy them dinner that night. When you went out for dinner, you paid for the meal when you ordered it. Because by the time it arrived, the price would have increased. If you were playing a round of golf, if your were smart, you paid for your drinks before you set off on the first hole than instead of it, because the price would be higher.

So I'm deeply familiar with inflation and how it works. But there is a very, very misguided understanding of how inflation in the United States works. This is the difference between a credit-based and currency-based system. Zimbabwe, Argentina, the Weimar Republic, all of these nations which Zimbabwe has comfortably eclipsed with its own inflation, have currency-based systems. The United States has a credit-based system.

Now I'll be quite frank, I mentioned just now there are people that have been jumping up and down about inflation ever since

QE zero, or what I call QE zero, which actually happened in August of 2007, fully two months before the market even peaked, and a year before Lehman Brothers went bust … making any difference. But it wasn't called QE at the time, it was still a huge stimulus bill.

So I won't derail us with conversations of QE. But as QE went through 0, 1, 2, 3, etc. All of the pundits were saying the dollar is going to be worthless. Inflation is going to skyrocket. We've been hearing this now for 15 years. And it has been wrong for 15 years. So what's going on? It is a misunderstanding about the difference between a credit-based and currency-based system. The US reserve currency status, as several people will say, it's the dirtiest shirt in the laundry. The United States will lose its reserve currency when it loses its military and economic might. Until then, it will remain the US reserve currency. Where else are you going to go? Are you going to move to euros? Or the renminbi? The yuan? Maybe the Malaysian dinar, or the Kuwaiti dinar? No. Of course, you're not. Japanese yen? Of course not.

So until and unless those countries can show us stability of economic strength, and military might, the United States will continue to be the reserve currency. And that's not opinion required, we just need to look back at 1000 years worth of history of which currencies endured for the longest. None of them lost forever, and this one certainly won't. But the threat of the dollar being worthless, I've heard that for a long time. In fact, I took a very strong bet against it, as the crisis hit back in '09, '08 and that was a very profitable trade likewise, in 2011.

Now, why is it that the dollar keeps doing the opposite? Which is to spike out of a crisis. If you look at the US dollar and what happened as the crisis hit the dip, and then rallied to new highs, it's because when people are in trouble, they rush out of things and into cash. That's what they need. They need cash. So certainly gold has done well, I was a big fan of it back of $300 an ounce and I've owned it for many years. But this rush to gold is institutional and speculative. It is not a core household holding, you're not going to pay your mortgage with gold.`

So just to put a point here, on how critical the difference is between a credit-based and currency-based system, we rely on credit to leak into the financial system. And what this means, why it doesn't work, why inflation is just as miserable and low as it was 15 years ago, is because a credit-based system requires two crucial pieces, a willing lender and a willing borrower. If just one of those people don't show up that day, the entire system breaks down. This is why it is that we have seen zero inflation outside of the one area that it does metastasize, asset prices, stocks and real estate. So what we're experiencing is asset inflation and otherwise, core CPI and so forth, has remained muted. This will continue until we overcome the massive hurdles that lie ahead of us and I realize, nobody is saying this. But it gives me more comfort than concerned to be honest. That's why I'm saying it.

We have debt demographics, deflation and globalization, just to name a few. Technology. Technology is a deflationary force. An aging population who changes their personal spending habits, is a strong force against inflation. The recent powerful shift to increased household savings than the purging of debt, is an anti inflation, is a damper on any inflation. There's no pent up savings, the shift toward frugality. Oh, how about the labor market? Until and unless those 26, 29.6 million Americans that are receiving unemployment benefits make it back into the workforce, we are not going to see any inflation. This is not to say we can't see spikes in certain areas. Lumber, for example, has gone parabolic, parabolas and implosions and I think that that is upon us.

Just to set the table, one last thing about just how wrong we are, we're acting as if we don't have data to show that inflation is not the threat. The Federal Reserve is not behaving the way they are because they're afraid of inflation. They are afraid of the most terrifying thing for institutions and central banks, deflation. Deflation is a beast that has no master. We caught a glimpse of it, asset deflation during the Great Financial crisis, we caught a glimpse of asset inflation from '05 to 2011 in real estate. Debt deflation has no master. And that is the biggest risk. It is the biggest risk facing the United States economy.

But to come to this point, as I say, it's not as if we don't have data, all we need to do is look at Japan. Now again, look out for exceptionalism, Japan began in 1999, is when they started launching their own QE plans. Their inflation rate at the time was zero. Their actual QE's were kicked off aggressively in 2000. Their debt to GDP, government debt to GDP was 20%. It's now at 168% of GDP, it's a huge, huge increase. We've seen their QE increase 600% from 2000 through today. Inflation today, in Japan, minus point three, excuse me .3 of a percent. Trillions of yen have been spent. This is coupled with an unemployment rate in Japan, of 2.9%.

I mean, this is an inflationist dream. If you were trying to make the case, you could say just look at this, "They've got 2.9% unemployment, oh, crap, none of the data is working out according to my model." Why is this? Because just like us, Japan went into their situation, so heavily indebted. So heavily indebted. Germany is another one. Germany began its QE operations in 2014. At the time, their inflation was .3, excuse me was 3%. They're Q, excuse me, their QE picked up in 2008.

Their interest rates went negative in 2014 for the first time. Their debt to GDP was 18%. It's now 60%. Again, when they kicked this off, and their interest rates went zero, and they doubled down on spending money the way the Feds are, inflation was at 3%. Today? Minus point one of a percent.

At some point, we need to realize we're holding on to a wish, there is no data to suggest that this is the case. But I understand it's such an intoxicating story. It's so easy to think that if I create credit, I just push down here and suddenly the dollar, inflation. That's great. But I live in the real world. And what actually happens matters to me and my practices and my business. It's not going to happen.

David Phelps: Take us back to 1980. You showed 30 years plus of interest rates, the implosion. I was a young kid coming out of school in 1980, and I loved the fact that I could put money in a money market and get 16, 17% Paul Volcker was fighting inflation. Why did we have inflation back in 1980 after Volcker came in, and then we saw this 40 year decline, the implosion of interest rates. Give us a little bit of history on that. Does that help us understand where we are today at all or is it just totally a different scenario?

Alastair MacDonald: The market makes the man. To the market makes the hero. When we list say some of the greatest presidents in US history, who's often considered the greatest, one of the greatest is FDR. FDR was just the right person at exactly the right time. By the time he came to office, the market had already bottomed and the cycle was complete. And we were beginning the next upswing. By the time Volcker stepped in to handle the Fed, interest rates had already begun to turn down. Now, this is something unfortunately, I don't have today, but at some point, David, I'll send these to you. And this is the sacred cow that nobody wants to even begin to imagine to be true, so I'll just show you the charts because that way, you can see there's no opinion required.

The Federal Reserve follows the market with interest rates, it does not lead. And I realized that my saying that seems so ridiculous that I wish I had my charts to make that point. I'll send you the charts showing that they follow the Fed with the ECB, European Central Bank, excuse me, they follow the market. The Bank of Japan follows the market and the US Treasury, excuse me, the Fed does too. So much so that Greenspan in a book tour years after he had retired, said on TV, "We didn't lower the interest rate, the market did. We simply try to keep up." What you'll see is the 90 day Treasury T-bill rate stair stepping down with the Fed tracing it all the way. So I'll get those to you. Because I want everybody to see this, it's super important.

If you want to know what's going to happen to the Fed rate, just look at the 30 year Treasury, excuse me, the 90 day T-bill. Just look at the 90 day T-bill. Now somebody could say, "Oh, well, the rate is rising or falling before the Fed in anticipation of the changes." To which I would say, "If that were true, what point is there in paying any attention to the Fed anyway? It's still happening before the Fed does." If a forecast or a prediction or a strategy works 50% of the time, it doesn't work at all.

David Phelps: All right. So Allistair, based on this context, and the fact that there are no signs right now that we are going to see significant inflation, and the fact that the Federal Reserve is absolutely pushing away deflation, which as you said, is disaster, then the assets-

Alastair MacDonald: They've successfully done that at least.

David Phelps: Yeah. So-

Alastair MacDonald: They've been able to do that.

David Phelps: So the assets that we acquire, invest in, build businesses, practices, tangible assets, real estate, which we like, then the fundamental of which we want to build, create, acquire, control those assets needs to be based on not speculation, but the fundamentals of the cash flows, profitability, sustainability. Give us some context there, because people are wanting to say, what do I do where I'm at right now? I've got a business, I may be exiting my practice. I may not. Maybe I've got a five, 10, 15 year run rate with that. I want to build assets. And well, give us some of your high level context there.

Alastair MacDonald: Well, to those that still are in practices and are still in the game, this middle market, the damage that is being done to the middle market lending right now, the 660 billion of which .2% has been taken up is going to create profound opportunities for docs who want to capitalize on them. If they can break that bull market mindset of rushing to every opportunity and allow the falling knife to hit the floor before we reach for it, huge opportunities will present themselves. These DSOs, exactly as Mike pointed out, are so leveraged to death with hot money and untrained, unqualified leadership. The poorer the opportunities in dentistry are going to be profound.

However, if you are, I have a whole training that I do called a full cycle dentist where we talk about how to build a full cycle practice. And fully one third of their training is dedicated toward the most crucial piece for these next few years, which is leadership. How you lead your team, your employees, how you deal with your partnership agreements, dentistry has the worst, I've advised in so many industries, dentistry, God bless it, has the worst partnership culture and mindset and approach that

I've seen in any industry. It ends in flames 80% of the time. And so there are ways to do it right. But I have yet to see any, and I certainly have a lot of strategies and thoughts to share about how I've created partnerships that have been doing the full market cycle.

But anyway, learning to lead your team through a recession, the difficulty of having... As I jokingly said just recently if your hygienist has a husband who's lost his job, and has turned as they do, because we see a spike in divorce rates, in philandering, in drug abuse, alcoholism, and so forth during recessions, divorces, partnerships dissolve. This is what happens like clockwork. People have less children, etc. As this happens, her husband loses his job, he falls into an existential spiral, starts to drink and behave badly, that is going to affect your hygienist. And it is going to affect the production in your practice and the entire culture of what it is that you're trying to do.

So if you are bringing bull market leadership to a bear market recessionary economy where people are experiencing in this case, medical threats, and economic existential crises, you need to adapt. I have a principle I teach called Matador Leadership because you don't want to get out of the way of that bull. So that to owners, huge opportunities are coming. But you have to really think about tweaking and adjusting the language of treatment presentation.

If you are still thinking that you can hold morning huddles with monetary targets for the day, in a room full of people who are earning 10 to 20% of what you are, whose family are in financial crises, you will compound the resentment that is already there for dentists being rich people. Anyway, that's a whole separate thing. But for those that are out of the game, the game continues to be about of course, yield, effective yield, stability of income. And at the same time, I'm a fan of as much as I believe that this ran in prices and so forth, and property is certainly it's a strong trend, what's equally strong is this recent bifurcation between single family and multi unit. I think that's a trend that isn't likely to change anytime soon.

I loved your personal approach, and I would totally share the same, which is a combination of leverage for the long game and zero debt for that, for stability. Like anything, anytime somebody is saying it's oldest or it's all that, be careful. The world is a non binary place.

David Phelps: Yeah, absolutely. All right, I want to be respectful of our audience, who I know has been jumping into the chat, great, great chat. And Blaine, you've been curating the chat, do you want to grab some stuff, that I can't see maybe? And pick out some things and other people, chime into the chat. Blaine, I'll let you jump in, help us curate some questions that people have posed. And if they need to add some more context, feel free to unmute them and let them ask directly of Allistair, that's what this is for.

Blaine: Sure. I think we've got a lot of things to focus on, as you could imagine, is focusing down into my world. So what do I do? So if I'm in a practice, and there's a couple of categories of people. One is what do I do about my practice right now, in the next, one, two, three, four years? And then also there's the investor side, asking, okay, based on all that, what should I be doing from an investment standpoint in the short-term here? The next six months to two years. That was a lot of what the questions were, those two areas.

Alastair MacDonald: Yeah. I've always been a fan of well-run businesses. Profitable businesses with good leadership and good culture, it's always a bull market in those. So if you are an active practice owner, paying attention to your overhead, and most specifically, pay attention to the flow of funds through your practice. And I hope none of this seems apocalyptic. I just want to talk about this stuff, so that we put a plan in place and we don't have to worry about it in the future. In my experience, there's no good news or bad news, there's just news, you were ready for and news that you weren't ready for.

So I would suggest paying attention to the flow of funds through your practice. Unfortunately, one of the inevitable outcomes of every recession is an increase in fraud, and theft. So if you run a practice, pay attention to the flow of capital. I think of it as a financial plumbing audit, as money comes through your practice. Why? Again, here is your front desk person whose wife has lost their job, they've just had a baby, and he's handling three, four, five hundred dollars a day or whatever the case might be. We're asking a lot. We're asking a lot for people to bypass that instinct for self preservation. So I would pay attention to that. Pay attention to your overhead, it's never been a better time to make sure that you're running a lean operation.

Unfortunately, and there's a lot more in here that I'm going to go down a rabbit hole, the labor market is completely distorted and broken and so you're going to find yourself having to chase people with payroll that it just would not be justified working out for this. Punitive to us, at least to employers. Punitive unemployment benefits. I can understand it's an election year after all, and everybody rushes to buy votes whenever they get the opportunity, both parties. But we are the ones that have paid the price for that. So I would be mindful of who it is that you're bringing on with what expectations in terms of commitments that you're making at certain payroll numbers.

This $600 added incentive goes away, of course, went away at the end of July. Most states, the feds are trying to push it to the states, most of the states are not participating because they don't have the cash themselves. That is an effective drop to basic standard across the nation. Unemployment insurance will compensate people for about 38% of their standard salary. So what does this mean? It means less consumers buying iPhones, it means less people buying fancy things and discretionary purchases. It means that your PPO business is likely to be a little more durable than your fee-for-service business. Now, that's not to say in a sweeping fashion, because there are always people that have enough money to pay for anything. And if you're catering to them, that's perfect. And fee-for-service is perfect for you. If you're not, and you don't have some hedged strategy in place, you may want to consider that.

The equity investors, there are far better opportunities abroad than there are domestically. A standard 60-40 portfolio is likely to return a negative one and a half percent total nominal return over the next 12 years. And I would suggest you follow John Hussman. To follow more of that John Hussman of Hussman Funds, incredibly sharp intellect and his analysis there's some charts there that take a little understanding, but most people in this group will get it right away. Investors pay attention to valuations, they really matter. There's a big difference in what you're going to get from a practice if that does a million a year that you paid 500,000 for than one that you paid 1,500,000 for. Valuations really matter.

Likewise, the durability of your real estate portfolio, I think it's already been addressed here a lot. A lot of questions about eviction moratoriums coming up and so forth. Where that's going to break, it's going to be some interesting stuff to see. And unfortunately, hard times for a lot of people we know and care about. I'm not sure the general philosophy about what constitutes a durable tenant. We could say graduate students, well, that's changed. We could say Section 8, government employees, etc. But it is a definitely tighten your risk protocols, I would say in that regard as much as you possibly could.

David Phelps: How about essential workers?

Alastair MacDonald: Yeah, yeah.

David Phelps: Essential. At least in the past six months.

Alastair MacDonald: Yes.

David Phelps: Allistair, what about an opportunity for those who have assets, their practice or practices or maybe real estate, other assets they've held for some time, and they're in a position where we're in this bubble, this high multiple, high valuations. Is there some opportunity, a place where someone should go and take some chips off the table? Harvest it right now? And then get ready to catch the falling knife at a later time? Is there some place there that people could consider, based on where they are?

Alastair MacDonald: With equity markets, I would say absolutely. With property prices, I think that we're going to see a flushing out of weak hands. There will be many that can't survive these, even these eviction moratoriums, as soon as they get lifted, there are many investors that won't survive it just as much as there are tenants that won't. And so opportunities will present themselves there for sure. It's worth pointing out that, and this will be super unpopular, but at least maybe not to this group, but it certainly is universally right now. If I were to say what asset right now is the most hated that mutual funds on less of than they ever have in history, that everybody will make a case against and tell you that you're only going to lose money and it's a terrible plan, that pension funds have less of than ever, and that American households are rushing to accumulate at a faster year over year rate, than they ever have in history. What is that asset? It sounds like the ultimate contrarian play. It's cash. Cash fits all of those parameters.

Now, does this mean you go all to cash? No, of course not. But it means that you should show it the respect that nobody else is. We don't need to work in a binary view of the world. As I said, I advise against it. But if we just increased our cash position by, I'm making this up, it's not a recommendation. If we were to increase our cash reserves by 20%, you would be 120% ahead of your peers. Because nobody's doing this. Literally mutual fund cash ratios are at levels below even that of the tech bubble in 2000. So taking chips off the table, yeah, I'm not afraid of cash. And there seems to be a fear for everyone that say, it's going to be worthless, blah, blah, blah. Fine, I'll take the other side of that trade. And I'm interested in international equity opportunities. And on the other side of the uncertainty of the next 90 to 180 days, see what opportunities present themselves. This gets to tax rates.

David Phelps: I want to go there next. Thank you, very much. Okay, take it.

Alastair MacDonald: Sorry, mate.

David Phelps: No, that's good.

Alastair MacDonald: We're too much on the same level, we can give each other brain damage.

David Phelps: Right there with you.

Alastair MacDonald: So just to give you an idea of the order of scale, that this most recent stimulus package, coming on the heels of the greatest government debt load in the history of the United States, the most recent, the first version, and there will be others, of course, because votes need to be bought. If nothing else, of course, people need to be helped too, but it seems to be vote buying more than anything else, $3.2 trillion. That is three times the size of the entire expenditure on the New Deal. Three times the size in constant inflation adjusted dollars, dollar for dollar, it is three times the size of the New Deal.

So because I'm a fan of I believe that those who don't respect history are bound to repeat it, let's look at what happened the last time we saw any stimulus package that even came close to this, of course, it's the New Deal. Launched in '32, or excuse me, '33 to '38. Let's look at tax rates. In 1929 the top marginal income tax bracket was 24%. By 1939, it was 64%. Capital Gains rates were 14% in 1929. By 1939, they were 24%.

Now we could look and say 24 is not that bad. We're talking about almost a doubling of your tax base. And if you were, as those of us in this group share the privilege of being in the upper echelons of the tax bracket, we are talking about an order of magnitude change. Who is it? Where do you think? We just have to ask ourselves, we're facing as many have pointed out, 10,000 retiring, or 10,000 boomers hitting 65 a day for the next 15, 20 years, whatever it is. Social security that is actively underfunded, Medicare, Medicaid and throw on top of that, an unknown and to a virus and 29.6 million Americans receiving unemployment benefits. Somebody is going to pay for this. And it's going to be the haves. It tends not to be the have nots, it can't be.

So where is it that their haviness is most revealed? Well, it's in the area that the middle class and the poorest among us don't have, dividends and Capital Gains. Capital Gains rates today, they are at levels last seen in the Eisenhower era. But we don't want to do anything about it. I don't want to sell it to pay the tax. I'm telling you right now pay attention to the 107 year history of the US tax code and you will see that this is not a function of red versus blue. This is about the quantity of people that are without and those that have more. And the ongoing vilification of the icons of the bull market that lies ahead. You've talked about it, we've talked about it David, Bezos, all of these people, they will be skewered in effigy when this is over.

I believe in eating my cooking so much, I'm actually speaking to you from my new abode in Puerto Rico. I have no interest in this. I'm all about paying my fair share. But what is about to happen is going to be, in my opinion punitive. And I don't want to participate in that. I choose to support my nonprofit and my donations compensate for any tax return on my otherwise pay.

David Phelps: Do you have an extra room down there for a wife and a dog and a cat?

Alastair MacDonald: It looks like a cute dog you got.

David Phelps: Might be following suit with you. All right, we've got a few minutes left. The uncertainty of the election. I think Candace and I talk a lot about the fact, and other people, the fact there's a good chance we won't know the outcome of the election until after the first year. I mean, there's a fair chance I think. The civil unrest that we have right now. Just thoughts on the election and how this country is going to take one side or the other. And if we have an indecision, what does that look like? Indecision for some time. What does that look like?

Alastair MacDonald: Well, as I say, I hope I don't sound like some bad news bearer. I'm actually never felt more prepared in my life. I'm not saying I'm excited about the harm for others. I'm not saying that. I just mean, I'm excited about what's next. Typically recessions have been incredibly fortuitous periods for me and I want to make that true for everybody. Or at least everyone who cares, or thinks about it. Unfortunately, if we think about what's going on here, this bifurcation in society, what a friend of mine, an analyst, that's being picked up by everybody is instead of a J-shaped recovery or W or whatever, some silly acronym, he's anticipating more of a K-shaped as an bifurcation between the haves and the have nots. And we're seeing that. We're seeing white collar workers are not being laid off to the extent that blue collar workers are, etc, etc.

So that is likely to create a further division within society. But we have to think about the nature of this. There is a lot of anger out there. Anger. And you'll know this from your own experience. If you are, as I am, somebody that minds my own instincts and experiences as much as I can, you are the best mentor you will ever have. As long as you drill into your behaviors, instincts, and so forth. Anger is fear. Anger is always fear. Anger is typically when you get cut off on the highway, and you get mad and you road rage, in that moment, you were afraid of harm being caused to yourself or your loved ones. Anger is weaponized fear. And fear is fear of future loss. Loss of something loss of esteem, status, income, privilege, security, physical safety. The loss of these things drives people to do crazy things.

This is why the easiest prediction for this COVID world is increasing riots and social disruption. There are more and more people that have more and more reason to be afraid. They're afraid economically, they're afraid for their own health and medical well being. And they have reason to be. Now does this justify the behavior? No, I don't think it does. But the point is, we have to expect more of this. This is the first election that I'm actually actively concerned about safety at the ballot box on both sides of the aisle. I don't know who is going to strike a match. The resolution of it, I'm with you, likely to take some time. Either way. Either way this needs to be paid for. And my move down to Puerto Rico is one of conviction.

David Phelps: Guaine, pull anything else from the chat that you see that might be an additional topic or a discussion or a good question from somebody.

Blaine: Yeah. So great stuff going on in the chat. You guys are doing a great job and sparking a lot of conversation and interest in Puerto Rico, and all kinds of things. Ryan had a specific question about looking to sell his practice in the next one to two years. Is that something he should think about accelerating? There was a couple of people that had a similar question of, hey, I'm going to sell my practice, should I be trying to accelerate that at this time?

Alastair MacDonald: The motivation to sell, I just respectfully understand the dilemma. But we have to ask ourself, anytime we're looking to exit, we need a reason for it and a future income stream to replace it. Of course, that is the power of this group. And so assuming that you have that in place, we have to ask ourself, what am I holding out for? And you can be holding out for a number of things. You can be holding out for, most commonly and most erroneously, a greater multiple. I think that is a mistake. I think if you're waiting for a better price, I think you're going to be disappointed. If you are waiting for I don't know, some other event. If you're waiting, because, I don't know why you would be waiting, what I'm finding is a lot of people are waiting for a greater multiple. We've already seen multiples come down, as I say from ridiculous nosebleeds levels of 15, 16, down to a six, seven or eight. So I don't think that that's a trend that's going to suddenly radically turn around.

The second question is and it's catered too, already on this group, so I have nothing further to add, is ensuring that whatever that future income is, is secured. Now I would encourage you to ask yourself, what will the shift, let's say, well, I still want the income. That's a really reasonable justification to stay where you are. You have to ask yourself, what's the upside, downside here on me moving to an associate inside my own practice? What would that look like? Again, not necessarily a recommendation, but the question, the inquiry is for you to think about it. What would it look like for you to do the known? Just as Mike said, the certainty. Looking for something I can be sure of.

If I know that that cash in hand coupled with me working another 12 months or 18 months will satisfy my needs, that is a condition of deep power that affords you nothing but privilege if you're wrong. If you're wrong, and the market goes to the moon and everything bounces back, and we rapidly absorb these 29.6 million unemployed people, beautiful. All that that will mean is that you'll have a ton of dentistry to do and more patience and more income. But I don't believe that holding out for a greater multiple is really that sensible. Of course, your mileage may vary, it has to fit into your broader perspective and profile.

David Phelps: And there you have it, my two-part conversation with Allistair McDonald. I'll have more to give you on the economy and forecasts, asset classes, how to create more real freedom in your life and for your family in the months to come. It's going to be an interesting ride, as I said earlier, in part one, I believe we're in for a decade of immense volatility. You can get through it, but you've got to be intentional about being a forecaster and orchestrating your own financial freedom. It's up to you. You've got to make a choice, I say to you, decide carefully. All my best.

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