

**Ep #351: Daniel Marcos - Scaling Intentionally and
Conquering Crisis (Part 2)**



Full Episode Transcript

With Your Host

Dr. David Phelps

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Welcome to the Dentist Freedom Blueprint, a podcast about freedom—freedom from expectations of society and the traditional path to success that has been ingrained in us from our early years, I'm joined by mavericks, renegades, and non-conformers to discuss an anti-traditional path to financial freedom, freedom of time, relationships, health, and ultimately freedom of purpose. My name is Dr. David Phelps. Let's get started.

David Phelps: Hi, David here. Just want to give you a brief intro into this week's podcast. It's a follow-up from last week, so if you missed last week, you ought to go back and catch it. Now you can jump into this one today and you'll get context, but get the whole interview. This was the interview I did with my good friend, my mentor, magnanimous entrepreneur, Mr. Daniel Marcus. He has an international background, a flavor, he sees the big picture.

And this week we started off by Daniel talking about the different stages of business. Stage one, it was just typically a startup. Stage two, which is a more of a lifestyle business, it's growing. You've got stability, you may have employees from six to 15 in number. And then stage three, which is what everybody seems to always want to get to. I want the bigger business, I'm going to grow it, I'm going to create equity, I want to be able to have a big exit, I want to have the multiple hit. Well, going from stage two, a lifestyle business, to a stage three has a lot of minefields in it.

Now it's not to say you can't do it, not to say other people haven't done it, but you need to be aware of the danger zones in scaling without any type of real intentionality. What do you really want? Daniel goes into quite a bit of detail there, and will get you some insights about how he

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looks at the different stages of business today and where he's going to go next. He believes that stage two for most people, not all, but stage two where you have 10 to 12, maybe 13 or 14 or 15 employees is an ideal place to be because you could actually get to your freedom number, which is what we talk about in Freedom Founders, your freedom number at that level of business, and you can continue to live that business and have a business that is not dependent upon you, that actually the business serves your lifestyle.

When you go to scaling a business and I've talked to many entrepreneurs who have done this, yeah, they're making a lot of money, they may have a lot of equity, but the constraints that puts on their lifestyle, their business, their family, their marriage can be immense. So going bigger has a lot of risk. It has a lot of drama, a lot of brain damage. You have to decide is it worth it. At least be aware of the pitfalls before you decide to dive in.

We talked about harvesting equity. So when you have equity in a business or businesses or in real estate or other asset classes, when is the appropriate time to harvest equity? Take some chips off the table. What do you do with those chips? When do you do it? What considerations do you need to make? We talked about that. The big question typically for people in the entrepreneurial space is, do I have enough? How do you know you have enough? Actually learn how to orchestrate real cashflow income from the assets that you own. That's a key as a key construct.

Private equity partnerships. Big play out there today in a lot of industries, certainly in the healthcare industry, in

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dentistry, veterinary medicine, optometry, vision, private equity is consolidating big time. If you're in one of those arenas, you know what I'm talking about. The lure for jumping in and getting that high multiple, but where you typically have to give up a majority interest in your business first, kind of what we call the first bite of the apple and then fingers crossed hope for the second bite while at the same time, you've lost control of your business. Now I'm not saying this can't be done. It has been done, but it's fraught with again, dangers.

Daniel also talked about the book, *The Fourth Turning*. A great book if you haven't picked it up. It talks about the 80 year cycles and where we are right now, actually in a cycle of the winter, but we're trying to play like we're in a summer time economic situation. It's fake. It's not real. You've got to understand that and where the disconnects are between reality and where we really are in our economic cycles.

Daniel talked about the fact that the next decade has the potential to be very complex and very volatile. Not at all like the decade that we just left coming out of 2020.

The US we talked about the lack of political will to be a superpower and police the rest of the world. What does that mean? The US as the reserve currency. Can we maintain that? What if we don't? Daniel talked about the taxation in the US versus Canada where he's living, also Mexico. The differences there and how you can utilize the ambiguity in the voluminous amount of code in our current tax code, but you have to be astute. You have to find the right people. You have to have the right advisors between you.

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There is a belief from Daniel's standpoint, again, being very international, that there's a lot of resiliency in the US. I am. I'm pro US. Even though we're going through some major shifts right now, generationally societally, I still believe in the resiliency of our country, still the core values, which unfortunately have been lost on the younger generations, but I believe that there's gonna be an awakening at some point, a reset and I'm optimistic it'll be a positive reset.

Daniel's the same way. He says the US is the best of the worst. What's that saying? Well, where else would you go? Where else? I thought about. I thought about where else would I want to retain citizens citizenship. I don't know. I want to be where I speak the language, where I understand the culture. As much as there's things that I don't like, I might want to just stay here.

So I would say the bottom line to our sessions with Daniel is how do you, as a individual, as a business owner, as a family head of household, perhaps, how do you maintain your freedom for your family and your legacy? We can't control the outside world, the external forces, but what we can do is control how we are proactive, getting ahead of it and defensively, how we posture ourselves for what we see coming down the road even though we can't have a perfect crystal ball. I believe that the resiliency, the adaptability, proactive positioning, having enough margin in your business, your cash and your cash flows, and having a network that will provide you with a backdrop, the board of advisors, the economic freedom and adaptability to do business with people you want to do business with, I think those are the keys. I hope you'll enjoy my sessions with Daniel Marcus.

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Let's talk a little bit about the stages of business. You just mentioned a couple of stages. Why don't you talk through that a little bit and what you see through your lens of coaching all stages, kind of a life cycle, and maybe where a lot of our people here, what their stages, there's always this desire. And I know the book *Scaling Up* is very well written, and it's very solid, but what is it about scaling up? When should we decide to scale up, because it seems like Daniel, especially when the economy is running hot right now that it's like, well, bigger and bigger is better. If I can expand operations, I can have more practices, more businesses and just, why shouldn't I do that? So give us a little bit of your insights into that conundrum that I see a lot of people get into.

Daniel Marcos: So today, even though our business is scaling up and we teach scaling up, I discourage a lot of companies from scaling. For me you start scaling around 16 to 20 employees. Why? Because that's when you have to start your first line of managers. And whenever you get your first line of managers, your margins go significantly lower, and you go through a valley of death that takes you to around 60 or 70 employees.

I'm doing a scale-up today. We've been on the Inc 5,000 four years in a row, have 35, 40 employees growing 50% this year in staff. I know that my next company will not be a scale-up. It's going to be a stage two, and I'm going to stay at less than 10 employees, 10, 12 employees. I really believe the best combination, 10 to 12 employees. Don't go above that. That's as much as you could handle in a family way. You know everyone by name, you could hug them, know their family, and you get a lot of money. You

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could get a big chunk of money of the profits without having to go beyond that.

If you go beyond the 12, 15 employees, is because you're going to build an asset that will have an intrinsic value that you're going to be able to sell. I'll tell you a quick story. The other day I was giving this lecture, and this entrepreneur from England texted me after and said, "You just explained my last five years of my life in the last 10 minutes." He said, "I had 225 employees. I was making 25 million a year. I was losing two or three million a year, and that was miserable. I hated my life. And one day I said, I'm done. I'm going to implode my business." He went down to 16 employees. He does seven million in revenue and net 3.5 million. He said, "I'm a happy fish. I take four months of vacation a year, I make way more money, and I don't need to have a really big business."

So I really believe that after let's say 10, 15 employees, if you're going to go and past that, is because you're going to build an asset that is that's going to be able to be sellable in the market for a premium, for all the money and drama you're going to put in. And once you get to around 50, 70, now that's when private equity comes and that's when they want to buy your business. And interestingly, talking about freedom, that when you pass your freedom point. And by the way, very few people in the world need more than five or 10 million in the bank. If you have 10 million in the bank by the rule of 4%, that gives you 400,000 for life. If you're going to grow your business past 50, 70 employees, now it's risk on the 10 million on it, you just need to liquidate. If you pass that you put at risk the 10 million. I've seen a lot of entrepreneurs having a 100, 150 employees. And then

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the company goes on there because of a market condition or a mistake or something and they lose everything. And their houses are mortgaged, the cars are leased and now they get into trouble.

So I really believe that stage one's kind of a startup understanding where you are. Stage two, it's let's say six to 15 employees. That's a pre scaling stage and you could say I'm on my way to stage three, to build an asset or build a lifestyle business is very, very profitable. And from all the companies that I coach, the ones that have the best quality of life and good money, 10, 12, 15 employees, no more than that. If you start passing that, your margins begin going lower, and what's a typical decision? Oh I need to grow more so that I can get my margins more, you grow more, you have to hire more employees and your margins go even smaller.

David Phelps: And the risk factor, it goes way out.

Daniel Marcos: And the risk goes much higher.

David Phelps: Yeah. So let's talk about taking chips off the table, harvesting equity, when and how should people look at that?

Daniel Marcos: So first you could have a business that will give you a good lifestyle and cash you half a million a year, 10, 12 employees very easily. And a lot of people said fine, but I want to do an asset that I could sell and that's what they started growing the business. The first discussion that really gets through your mind and your partner's mind is whenever you're part of the business worth, let's say \$5 million, \$6 million. Because if you cash out at that moment, you could be set for life. And that's when the

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conversation starts happening with your partner and say, "Hey, you know what? You work 15 hours a day. You don't see your kids. You come with the house with a lot of stress. You have to mortgage the house to finance the business. Why don't you sell it and put everything in real estate, get 10%, 12% a year done?" But you can't imagine how many of those calls I get from the entrepreneur and saying, "Hey, I just had a call with my spouse and my spouse is asking me to sell the business. I don't want to sell it. I love my business."

And that's when the discussion starts in the family, really big, because the other person in the family doesn't like the drama, doesn't like long hours, would like to spend more time with you, but they said it's not worth it. If you sell it today, we have a loss. So usually discussion start there. And that's precisely what private equity starts. And that's how they know the game.

Whenever anyone is doing 10 million of revenue in the US you start getting calls from private equity. And they call you and say, "Hey, you've done a great business. You should take some chips off the table. You could retire, blah, blah." And that's where the conversation starts. And it's starts because they tell you, "Hey, we'll get 50 or 60% of the business. We'll put \$10 million on your account. You don't have to worry. And together we'll grow the business." Yes, you have the opinion on the bank. But the drama, when you get with private equity and all that, it's really, really big.

I get hired a lot by private equity funds that after they invested in the company, they have a really big fight with entrepreneur and they call me to help and clean things

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out. And the entrepreneur was really mad that this private equity was screwing him. And they told him if they're not doing it now, you accepted that three years ago when you sign. Today's just a reflection of what you signed for years ago. When you sign the agreement, you gave them a majority, you accepted to have a board, they have majority, don't complain today. "Oh, but they told me they were going to be very nice and I was going to have all the control of my business and all that." Yeah, that's their job. But that's what happens.

So as an entrepreneur, once you get to our own 10 in assets in an asset, you have to take the decision is this enough? Can I take the chips off the table? and then come to a place like this and invest it and be set? Or are you going to put risk on and risk those 10 million and go beyond to try to do an asset that is worth more. But I've talked with other entrepreneurs and said, okay, imagine you get 20, you get 30. Are you going to buy a boat? Are you going to buy a plane? How's your life going to change from having 10 to 20? And they look at me, it's like, "Nothing. I could probably take one more week of vacation to Italy, but that's it." It really very few will change your life. So it's very important that you analyze your life around there. And if you could get, let's say 10 invested the way you could invest it here, you're more than set for life and that's when you have to have that conversation.

David Phelps: Or you could keep a business that you love, that you like-

Daniel Marcos: But don't sell it.

David Phelps: Don't sell it.

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Daniel Marcos: Don't sell it but don't try to scale it because you have to scale it. The thing is very few entrepreneurs have the discipline to say, "Hey, the business gives me enough. I'm happy the way it is. I'm going to run it like this and cashflow it." We always said, "Oh, if I'm making a million with 10 employees, I'm going to make two and a half, 20." And then you go to 20 and you'll start losing a million and that when things get interesting. And then you have to take your business and bring it down.

The other day I was having a call with an entrepreneur. He was doing digital products online, one of these guys that you see on the YouTube. He was doing \$40 million a year from home. All employees were subcontractors and he hated his life. He said, "I just hate my life." So I called my best client and said, "You have taken all my courses. I'll give you 50% of my business. You run it." And gave it for free. And I was like, why should my business is not sellable? If I am the brand, it depends on me. But I don't like to run it. I just got married. I had a kid, I don't want to work 15 hours a day. So he gave away 50% fees. They took it down to around 10 million a year. They filled with 10 million a year run by the partner and he gets a couple of million a year for doing two or three videos a week and he's happy. So if you have the discipline to stay there, great. The pros that very few have the discipline say.

David Phelps: Very true. Let's talk a little bit about the current economic in the markets. You have like our friend in international broad experience in that. And looking through that lens as we've done somewhat this weekend already, looking at the factors that are there, what are some of the threats or dangers, what could be opportunities and how could

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people... you help people do with the ... what they look is in terms of their strengths? So, the equation, basically.

Daniel Marcos: So when COVID started, our business went significantly down. The last two weeks of March, we had 90% revenue loss, those two weeks and I got really scared. By the way, April was our best month in history. We did triple where we did the March, but March was really, really bad. And I called Verne and said, "Hey, these are the numbers. We need to do something." And we did some aggressive changes on the business that ended up not being a problem, but we said, we have to increase our talk time. You will not be able to get out of this crisis thinking. You're going to get out of these talking. So let's increase our talk time. Let's talk to as many entrepreneurs as we can around the world. And I began calling clients, past clients, everyone. I was on the phone all day with entrepreneurs all over the world, Dubai, Mexico, Hong Kong, Argentina, whatever, just trying to get a sense of what was going on.

And I start reading a lot again. I read a lot in business, but I start reading a lot business of trends, the economy. I read all the books of all the guys that are online telling you that the world's going to end, but it was a great perspective by the way. And this is my feeling. And this came out with two or three books. I don't know if someone has read *The Fourth Turning*, great book. If you could read *The Fourth Turning*, I think it's an amazing book. So what they explain is that the world has the cycle of around 88 years and like human beings and like the weather we go from spring to summer to fall to winter and today we're in the winter stage of the world in this cycle. And we're trying to have the economy like we're in the summer and

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we're entering winter. And the social systems, the constitution that we wrote, the political system, everything has been designed 200 years ago when even the light didn't exist. The constitution of the US, the constitution of Mexico, most of the countries were written before electricity started. And today with the internet and technologies that we have, it's a completely different ballgame.

So I have a picture of a show on some slides that there's this wagon that says cultural, social systems, political systems, everything. And instead of having a horse holding like a rocket ship, and we're trying to manage a rocket ship with a society and political system that doesn't work anymore. So we need to reinvent capitalism. The capitalism that we have today, I think it's been great for last 50, 80 years, I think it already expired. We need to reinvent capitalism. And we're reinventing it.

There's another book called Pendulum. I don't know if you read it, by Roy Williams.

David Phelps: Yeah.

Daniel Marcos: And he talked to that in society, we're going this pendulum 44 years similar between the we and the me cycle. And when we get to the me cycle, you get to the witch hunts. And it's interesting that the presidents are using that word a lot. And by the way, if you go back, the last one was second World War when Germany was chasing the Jewish community. So we're coming back to the cycle, exactly the same, just in a different perspective, but I think we're going to need a decade of reorganization. So I believe the next decade, the '20s to '30s is going to be a really complicated decade in ups and downs. And

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we're going to have to find a different organizational of the world.

The last world order, the US told the world, I will be the police officer of the world, I will be the police of all the seas so we could do commerce all over the world, just with one condition, that the trade of the world is in US dollars. And everyone said like yours, we all accepted the US to be the currency of the world as long as the US was the police officer of the world. And he was very comfortable for the rest of the countries. At that moment, the US had the political will and money to do it. Today, there's no political will or money to do that. So if you think we have pirates in the past, we're going to have pirates everywhere on the seas.

If you see a map of the world, imagine you're in Germany or you're in one of these European countries. You could get attack like this without even blinking. For someone to attack the US you have the two seas. It's really hard to attack the US. And the U S back then needed the oil from Saudi Arabia and all these things. So it was in our best interest from the US to be the police of the world. Today, the US is energy independent, they have Mexico and Canada for natural resources and cheap labor, they don't think the rest of the world. So I think the US is coming back and said, "Hey, we need to get reorganized. We need to reborn or redecide who want to be." And that's all issues that we're having, and they're not going to care about the rest of the world. So I think is going to be a much more unstable world.

I've been saying that 2019 was the peak of globalism the way we knew it, you could get a container for \$2,000 to

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go to China. That's gone. That's really difficult. If there's one thing that Trump and Biden agree is that China is the enemy. And both of them are going to go really bad against China. I don't know if you saw what they said yesterday. The US gave political asylum to anyone from Hong Kong for six months or three months. The Chinese are livid about it. They're super mad with US, but they cannot do anything. But I'm sure they told US you're out of line, but the US is willing to say that.

I lived in Hong Kong. I was there when it transitioned from England to China. There was a perfect agreement that it was 50 years, hong Kong was going to be their own police, their own governors, their own laws. Everything's gone to waste. I have a lot of friends still living in Hong Kong, and they call me and say it was a lie. The Chinese government opened up and become like pre-business and like 15 years ago, it began going back.

You see what happened with Alibaba founder. The guy one day talk bad about the communist party and the guy disappeared for three months. And he hasn't spoke publicly since. I imagine they put this guy in some weird chamber for three months. No, no, no, seriously. The guy went through a really painful part of his life. He's a billionaire in China, he disappear. He was really public. Look for any video of this guy, there's nothing online on until the day he disappeared was when he had some negative comments with the Chinese government.

And by the way, China will never be the world economy. They were the most powerful—

David Phelps: Why do you say that?

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Daniel Marcos: So two things. For you to be the most powerful economy, you have to have world trade and be good with all the countries and everyone in the world. And it happens in Mexico, it is happening in Africa. The Chinese are braving the countries giving you loans, but they're not finishing well.

So let me tell you a story. I went to give this lecture to Sri Lanka in 2019. After the lecture, they invited me to have dinner to these very nice hotel in the beach. And that was having dinner, there was a lot of light coming from the corner. I said, "Hey guys, what's that?" And they said, "Well, that's China." And I was like, "What do you mean it's China?" So the Chinese government came and said, "Hey, you have to develop a really, really big port. I'll give you all the money let's develop the port." And the Sri Lankans said, "Wow, great." They build a really, really big port with money lended by the Chinese.

When Sri Lanka could not pay the loan, that it happened two or three years after, what do you think the Chinese did? We're going to change the rules. We're going to operate the port, we're going to ... and now we'll be own the port. And they did an agreement like England did with Hong Kong. And now there's a piece run by China in Sri Lanka. And people, when they told me... When I was there, I said like, "Why?" And they said, "Well, we're strategically located." And I was like, "You're in the world in the corner of nothing. You're not located anywhere, anything important." And they said, "You're wrong. We're located in the south of India, and China and India hate themselves. The only port the Chinese have to touch below to go to Saudi Arabia and the oil is to Sri Lanka. They have to stop in Sri Lanka to get gas. So they bribe

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us and now we have a uncomfortable uncle that owns a piece of our land." And that's the way China is running it. So that's one. Another world is realizing that.

David Phelps: But that seems like it's working out pretty well for China.

Daniel Marcos: So yes, in the short term. But I'll tell you the example of Mexico. So in Mexico, everyone knows Cancun. Six years ago, there was a China Mart. The Chinese went and bought like 2000 acres of land and they were going to build a port in the south of Cancun. And then we did a bid to build a train between Mexico and Querétaro, one of the biggest cities, like a two hour and half drive and the Chinese won it, finance, engineering, machines, everything.

And one day out of the blue, both of the contracts got canceled. One day I woke up, opened newspaper and both of the contracts were canceled the same day. Mexican president got a phone call from the US president, I'm sure, and said, you have two options, China or us. And those two ports, or those two projects, if you want to be with US, you cancel them. If you want to do them with China, I'm off. And the Mexican president canceled them one day without a discussion. So it's happening and we're realizing it. So that's the first one.

David Phelps: So that's what our neighbors in the south, that's Mexico, but we're not really treating our other allies the way we have in the past. So there's some new realignments happening and we're kind of backstage now, as you said, we're not the policemen of the—

Daniel Marcos: So El Salvador is having those issues. Peru is having those issues. Of course, Cuba is having those issues that

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they're already in bed with China, because China has been financing all their ports and airports and things like that and that's the only way they have to finance it. So, yes. And some will be uncomfortable because they will feel want to trade with the US but now they have China inside their country. And China said, well, if you want me to do your port under your airports and all of this, you're going to have to trading Chinese like the rest.

David Phelps: Yeah. So then what puts our reserve currency on the line, in jeopardy? And when... I don't want to say where, and I'll say if we lose that—

Daniel Marcos: So yes.

David Phelps: ... what happens?

Daniel Marcos: Yes. But let me put this in perspective. So if I go in Mexico and I want to buy a house, I could get a loan for my house in pesos or dollars, and everybody gives you up option. But if I want to finance my company and get a \$10 million loan, they'd never lend in pesos, they lend me in dollars. You know how much loans are outside of the US in US denominated currency? Over \$30 billion. So even if we want to everyone go against the US dollar, whatever, we still have \$30 billion that we have to pay loan plus interest. We're going to have to demand dollars no matter what.

And the US is too powerful and people all over the world knows like, do you trust the core values of the American people or the Chinese people? American people 10 times. So whenever you understand core values and who are you going to get in bed for next 20 years, you think about it twice. But by the way, Africa, China has one

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Africa. The US has nothing in Africa. That's going to be a battleground that I thought it was going to be a battle ground, it's not anymore. China won.

David Phelps: You give me one of insights because of your connections that you just said, US, we're the best of the worst. So there's a really international flight to quality because there's still the belief in the US. What, in terms of overall...

Daniel Marcos: So let's talk about that. 2008 when the US got into all this trouble with currencies, with the mortgages, go back and see, the US dollar got stronger against every other currency in the world. And I was like, wait, how did the Mexican peso devalue 40% against the dollar if the US is the one that is in trouble? Why is Mexico devaluating? Because of all the wealthy people in Mexico, they send all her money to the US. That's it. That's tradition. When the world gets complicated, the first reaction of the big capitals of the world, send your money to the US.

So the other day I was talking with an investor. He's a client of mine. The guy is probably worth \$400 million. And the other day he call me say I was having all these issues and I was like, "What issues? You have \$400 million. What is it that you have?" And he said, "Daniel, you can't imagine how difficult is to invest \$400 million today and be guaranteed you're going to get it back." It's not about return, it's just about getting it back. If you could guarantee I'm going to get it back 100% in the next 10 years, it's yours. But zero risk. And that's why the government's paying 0.25% or 1%, because the big capitals of the world said, you as treasuries, you're going to pay me 1%, 10 years, yours. That's better than having your risk on your country under the evaluation.

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So I just came back to the US, living in Canada for three years. And the housing in Canada, it's way worse than the US. If you think the US is expensive, Canada is two or three times more expensive. So I sold my house in Austin to move to Toronto. My house was two times more square foot and my house Canada was three times more expensive. And I was not living in downtown, I was living in a suburb 20 minutes away. And they spoke with Chinese investors and staff that were investing in China, sorry investing in Hong Kong. And they were leaving the house open and empty and I was like, "Why are you doing that?" They said, "Daniel, if I lose 30%, I still keep 70%. If I keep it in my country, I'm going to lose a 100%. So I prefer to get a piece of money and just put it out, even if it costs me 30%."

So I have a client in Bangladesh, it's a very wealthy family in Bangladesh. In Bangladesh, you can not get your money out of the country. So they had to do some messaging to get it to Dubai. And it cost them 20% of cost to get it from Bangladesh to Dubai. And I was like, "Are you crazy? It's costing you 20% to get it out." And the guy said, "80% is better than a 100." I'll do it any day of the week.

David Phelps: So should we just quit complaining about taxes here? Maybe, maybe, maybe? It's all about perspective, right?

Daniel Marcos: So let me go to taxes.

David Phelps: Okay.

Daniel Marcos: All right. I grew up in Mexico and I know my tax Mexican law, and in the past was very easy to evade tax. I have to say, it was extremely easy. You could do whatever you

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want and there was 10 ways you could evade taxes. Now it's getting tougher. Now all the money is digital and it's getting much, much tougher.

But three years ago, I went to Canada. And when I went to Canada, my wealth manager told me, "You're crazy. You don't know what you're doing. Taxing cut out a way higher than in the US." And they went to this website to compare it and there were 2% more in Canada than the US. And I was like, "Come on, it's 2%, no problem." And I had my health insurance paid in Canada, that in the US I paid \$24,000 a year.

David Phelps: Medicare, it's good.

Daniel Marcos: Sorry?

David Phelps: Medicare. You're in, you're in. Okay.

Daniel Marcos: But now if you get ... you pay \$2,000, \$3,000 per family per month. So I was going to pay \$24,000 a year. So I went to Canada. But whenever you understand the Canadian tax law, what the paper says, that's what you pay. The US tax system, if you see the book Bill, you're an expert on that. And by the way, love your talk. I have a rule in the US. Pay the most expensive lawyers and most expensive tax advisors. Believe me, they pay for themselves 20 times to one. In Canada, what you have on the book, that's what you pay. In the US, the tax book is like 600 pages. There's one line that says every income is taxable. The rest 600 pages are loopholes, how not to pay taxes.

So if you see tax on paper, you say well the US is really bad. But once you go into the weeds and you hire experts

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and all that, you realize you could significantly lower your taxes in the US because the US tax system is always going to be run by the business community. In Mexico, the tax system is run by politicians, not by business owners. In the US, you have lobbyist that is way to give money to politicians that is public and you could do it. And that's the way the tax law is written with the interests of the business community, always.

So, yes. So I think the US has two difficult things in taxes. One is your inheritance tax. In my case, my kids are American and my parents have six grandkids. The six grandkids are American. My father spends more with tax advice in the US than in Mexico and he's Mexican and lives in Mexico, because he has most of his money in the US and he makes more money off his returns of his investments than what he makes today. He's almost 80 years old so his return on investments is way more. And his six grandkids are American. So he spends more of tax advisors in the US. And he's Mexican and he has never lived in the US. But it's reality when you have your money in the US that's what happens. So that's one, the inheritance tax and everyone knows you could do a lot of things with that.

And the second one that I think it's the toughest is the worldwide income. So in Mexico, you also have worldwide income but when I live in the US and I'm going to pay tax in the US, I just send a letter to the Mexican IRS and say, "I'm living in the US, I'm going to pay in the US. I'm going to be frozen paying tax in Mexico." And they say, "Fine," and I'm not paying tax in Mexico. In the US, even if you live in Timbuktu, you have to pay tax in the US of what you make in Timbuktu.

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David Phelps: If you leave California, you got to pay taxes back to California.

Daniel Marcos: Great. So for me the two issues of the tax system in the US are inheritance and the worldwide income, even if you don't live in the US. Any other country, when you're not living in your country, you don't pay tax in your country. If you're Canadian and you moved to the US, you write a letter to the Canadian IRS and say, I'm living in the US, I'm going to pay tax in the US and they said, "Fine. Let me know when you're back." That's it. In the US that doesn't happen. So, going back to that, and I know we'll have a couple more minutes, with all the plus these 10 years that I think is going to be pre-unstable years... And by the way, everything that has gone up in the US, 20%, 30%, are many assets that the people buy. Where you and I put our money, everything went up 30%, 40% because we printed 30% or 40% more money. So we're just rebalancing our assets based on value.

But in the next 10 years, seeing all the instability of the world and China, for all the issues happening, plus the one child policy, China will not become the richest country in the world. I believe the US is going to come out way stronger in the next 10 years. The US going to redo the politics or geopolitical system of the world and they're going to come out much, much strong.

And I was talking with Jim earlier. For me, all of the last three or four years of politics have been very complicated, no matter what, who you vote for, there've been very ups and downs. That the senators went back at 1:00 AM and confirmed the elections and said, "Our duty is confirming elections. Even after they tried to kill us, we're going to go

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back and do our duty." That means the institutions are working. In Mexico, that will have never happened. So based on that, I believe the US out of all the complication next years tax or whatever is going to come out stronger and better than any other country in the next 10 years.

My decision to come back and become a taxpayer today is precisely that. My wife and I had a really important discussion many months. We talk about Costa Rica. Jim has house there. We talked about Costa Rica, we talk about Mexico, Canada. My wife is Spanish citizen, so we could choose to be in Spain. And we chose to be in the US and pay tax for here for the rest of our life. So that's kind of my...

I know we're not going through a very comfortable time. I know, but believe me, it's better than any other country. I don't know any country that they love their politicians, and they're all aligned. They're all like this. In Mexico, I was there earlier. Mexico, we have a big problem with drug dealers. Really big problem. The Mexican president was defending the drug dealers in the press conference two days ago. So the report was asking him, "Hey, are you going to go against the drug dealers?" And you know what the guy said, "Imagine we go against them and we destroy their crops and all that, how's the town going live? The town leaves because of the drug dealers. We have to allow them to their business so the town will survive." Oh my God. You wouldn't believe what's happening outside. So I understand we're uncomfortable in the US and I see the news in the US and I want to vomit, I get it. But from what I've seen in the world, it's still the best, and I'm voting here with my money that is going to come out much stronger.

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David Phelps: Well that's perspective, is it not? That's perspective. That's helpful. All right. I can't let you off the stage here until you answer the question.

Daniel Marcos: Inflation.

David Phelps: Inflation, deflation. I have to ask everybody, so it's okay if we ask him just...? I think we should. I think we should. Let's put them on the spot. All right. What's it going to be?

Daniel Marcos: I'm sorry I'm not going to give you a clear answer.

David Phelps: I didn't expect one.

Daniel Marcos: So the other day I was in a board that we're having a discussion and the CEO of the company was asking everyone's perspective. I don't see how can we print \$7 trillion or \$8 trillion and the economy doesn't bite those back in a certain way. So I think it's going to bite us back in inflation. But I'm a big believer in technology. I represent Singularity University in Austin, and I know all the technology guys.

And technology is very deflationary. And we started getting into AI and robotics and everything that the US is investing today, we're going to be in deflationary in the next five years. So we could probably going to have inflation five or so years, but then we're going to go into the inflation. If we really put technology to work and we eliminate the amount of jobs that we have, like driving... Driving is the number one job of men in the US between taxi drivers, cars, trains, whatever, is the number one job of men in the US. It's going to be gone in 10 years. What's going to happen with that. That's inflationary.

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So that is a good friend of mine, lived in Miami and had to move to Toronto. And he went to Toronto for two years and then back. He bought a Tesla. On his way up, his car drove automatic for 20% of the ride. Two years later, he came back. The car drive on its own 80% of the time, same car. The car got updated through Wi-Fi. He'd never took it to a shop, nothing. It was just updates on Wi-Fi and he went from 20% self-drive to 80% self-drive in two years. Once you have that, we're going to have inflation in the US.

David Phelps: Watch out Dentists, it's coming. Just kidding.

Daniel Marcos: So that's my answer.

David Phelps: All right, that's good. Was that helpful?

Speaker 3: Yeah.

David Phelps: Lets give him a hand. Thank you so much. Well done sir. So glad you made it.

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