Ep #359: Jason Hartman - The Hartman Index - Everything is More Expensive...Compared to What?

Full Episode Transcript

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Dr. David Phelps

[Dentist Freedom Blueprint](#) with 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: Good day, everyone. This is Dr. David Phelps of the Freedom Founders Mastermind committee and the Dentist Freedom Blueprint podcast. Today I've been looking forward to having a really a great conversation with a long time friend. I'd say colleague in the space, but Mr. Jason Hartman. Jason, how are you, sir?

Jason Hartman: David, it is great to be here. And I always, over the years, over many years, I've always enjoyed our conversations and just happy to be back on the show. I was on one of your first few shows a long time ago. Yeah.

David Phelps: Yes, you were. Well, it's good to have you back, because I always try and think about, how do I synthesize and digest and bring the forefront some of my great interviews, my guests like you, who have a very wide experience of background. And how do I bring that down? And so, I try to find something that's digestible and there's too much out there, Jason. So we kill a whole show talking about, but I think it's always important to bring out something about your background experience. For those of our listeners who haven't heard of you, don't know you, let's get a little bit of that.

But let me just, again, start by saying that the people I most appreciate and have the privilege and opportunity to, when I say run with, run with that means the circles we go in, the groups we've been a part of and are a part of today. To me, those kind of relationships are what have allowed me to do what I get to do today. And I know you're like me. It's like we have our own lives, but we're also having the ability and we have a desire to serve other people. It's the impact. What do we do with the knowledge we have and what we worked to gain? And Jason, you and I go back quite a few years and I just I know the first time we were connected, I think it was by our mutual friend, Jim Palmer, by the way. I think that's where the first connection came from.

Jason Hartman: Oh, you're right. Yeah. Long time-

David Phelps: Yeah. It was actually Jim and you think it would be real estate, but it was Jim. So again, your network's your net worth. And we got connected and we start talking, then we were in mastermind groups together. And I just, I love getting to know what's behind the person, right? Because the person themselves can stand up and speak in front of a group and great experience and they've got a lot of knowledge. You go, wow, that's very cool, but all right. What makes the person, the person? Why do they do what they do? So can you give us a little bit of that, the background of Jason Hartman up to date, and then we'll talk about what the meat of the show today, which will be really about the current marketplace and the opportunities that we have.

Jason Hartman: Sure. Yeah. So David, I grew up poor in Los Angeles, California, and didn't like that very much. I noticed by about ninth grade that all of the prettiest girls in school were hanging out with the rich guys, and I wanted to be in that group. And so I thought-

David Phelps: You're like me. You're very beefy and you probably were full back on a football team. Yeah. I mean, I-

Jason Hartman: Sure, yeah.

David Phelps: No, I got that.

Jason Hartman: We're clearly joking about that folks. And so, when I was 16 years old, I saw an infomercial for a real estate guru, and I really got very intrigued by it. And I went out and got his book. I read three chapters, I put it down, my mom picked it up, read the rest. And about two years later, she had been going to all these real estate seminars and reading books and so forth and learning about it. And she said, there's one in Anaheim this weekend. Why don't you go? And so I went to that and I, about a year earlier when I was 17 years old, I discovered Earl Nightingale, Dennis Waitley, Jim Rohn, and Zig Ziglar, my four great mentors who changed my life. And I've been fortunate to have Dennis Waitley on my podcast before.

And he's the last one standing of, of those four greats. And I remember Earl Nightingale saying something on his cassette tapes that I had listened to repeatedly over and over. And he said if you want to get... He was talking about just taking the first step. Most people have these big dreams and they want to conquer the world and do all this great stuff. And he was saying just humble ourselves, right. And just learn the basics. And he used real estate as an example, just coincidentally. And he said, if you want to get rich in real estate, learn the business first. And so remembering that he said that I just, after that seminar in Anaheim, I enrolled in Century 21 real estate school. And by my first year of college, I was now 19 and I had my real estate license in hand.

I started selling real estate part-time for century 21. And because I loved real estate investing and I really just wanted to be an investor. What I did is I started selling government repos, HUD and VA repos in LA, Orange County. Mostly those areas were too expensive. So it was mostly in the inland empire, San Bernardino and Riverside in Southern California. And I worked with a lot of first time buyers, but a lot of investors like those properties too. And so I had quite a few investor clients that I got. I would place little ads, little classified ads in the Orange County register. And people would call in, leave messages on my phone machine. You can tell how long ago this was.

And I would work with them anyway, about six months into my career selling real estate part-time for Century 21, while I was going to college, one of my clients, Jim Wool had purchased about four properties from me, I think. And he said, Jason this one property I bought from you, I don't really like it. Why don't you take the listing, sell it for me and I'll buy something else. And I said, Jim, I don't want to sell it for you. I want to buy it from you. And I had my first rental property, while still living at home. Okay? And I had that first rental property. I was 20 years old now and I rented it out. And you could say, I would've had every reason David to give up, because I had to evict my first tenant. And even though I had to evict them and that was tough, they just were dead beats.

They stopped paying rent and I'd knock on the door like a little kid. I mean, you think I look young now, imagine then. Right. And I'd knock on the door and say, "Hey, please pay me the rent." And they're like, "Screw you." and so I had to evict them, but I sold the property at a profit and I just kept buying properties. And my career, as a real estate broker progressed. I bought a real estate company. I later sold a Coldwell Banker and I've been investing all along the way. And for a while, my profits in investing were as much as I actually made in my whole career. Now I do have to say, now my career, my active income has surpassed my investment profits. Although, investing's pretty darn profit if you do it right. So that's the story.

David Phelps: It's interesting that you talk about the transition from active income, which in your case was selling real estate, which is where we all start.

Jason Hartman: Yeah.

David Phelps: I mean, we learn some skill trade business, have a job and we trade time for the income, but you already had the sense because of the mentorship and the study of real estate, that you started very early to understand that the actual asset. And the ownership of the asset or the control of the asset is what was going to eventually build the wealth and have that passive cash flow that everybody dreams about. Because everybody, "Oh, I want the passive cash flow. I want the multiple streams of income. How do I get that?" And you and I both have the opportunity to speak with and help and assist high income, high net worth, but very technical specialists in their field. Right? Same thing. They've elevated their lifestyle and their income because of their specialization in an area that they do well, but it's very fragile. It's very vulnerable.

Jason Hartman: It is.

David Phelps: So they all want that outside income. My pathway is similar to yours is I did things dual. I was a dentist, so that was my active income. But like you, I found a book early on, it was a different book. But it was by... Probably have it here somewhere, but I'll find it. William Nickerson. You know William Nickerson, right?

Jason Hartman: Oh, yeah. Bill Nickerson... Bill Nickerson or William Nickerson is probably the world's first real estate guru.

David Phelps: Exactly.

Jason Hartman: And it's amazing. One of the things I say on my podcast all the time, David is everybody must have a sense of history. And our culture, I would say is falling apart nowadays. I mean, it is just terrible what is happening to the culture. At the same time, it is an amazing time to be alive because technology is incredible and we've all benefited from that. But the culture war is a disaster. And one of the things I say is, everybody must continually read old books, listen to music, watch old movies and watch old TV shows. And I don't even mean old, black and white movies. For example just watch movies from the eighties or even the nineties or the seventies. They don't have to be that old. And just realize how much life has changed.

And to bring in, William Nickerson, to see how much inflation has occurred. And how the standard of living has changed, and how our values have just deteriorated and how people are so discourteous nowadays. And it's just like, take the money and run is sort of the mentality. It's awful. It's truly awful. But I think that's a symptom of the debasement of our money. And I interviewed on my podcast, a guy named Saifedean Ammous, and he wrote a book. And I'm not a huge fan of cryptocurrency, but he did write a book called, The Bitcoin Standard, which is fascinating. And the one thing I do want to share about that is he talks a lot about something that you and I both understand and most of your listeners do, but he said it in a different way that just struck me in a different way.

He calls it time preference, as opposed to saying the time value of money, or what a math, if you're speaking about in math terms, in analyzing a real estate deal, we'd call it net present value. Right? And so that's just how the value of money changes with inflation. And he talks all about how much better innovation was throughout history and how much better culture was throughout history when people had what he calls a low time preference. Now, what does that mean? This is very interesting. And I don't know that anybody does this very consciously, except maybe an investor who's financially sophisticated, like your audience and what you teach people in your mastermind group and so forth. But we all might be doing this subconsciously. We all realize that the value of the dollar or whatever currency we live in and live under, whether it be the euro, the dollar, the Brazilian real, the peso, doesn't matter. The yen, doesn't matter.

But we'll talk about the dollar. It is losing value. So our values are influenced by that. We live with more of an instant gratification mindset because the money loses value. And when the money loses value, we tend not to plan for the future as much. And you can even extract this and Saifedean doesn't say this, but I do. I'm quite a student of sociology. It's a fascinating topic to me. And look at the birth rate and the decline in birth rate of educated people. And college, and this whole push to like, well, all women have to go to college. They got to be a strong woman. They got to have a career. They can beat them in. Okay, that's fine. If that's what you want to do.

David Phelps: Right.

Jason Hartman: But is this a part of a cultural hypnotism or is it actually free choice? I mean, hey, I'm all for a free choice and everybody should do whatever they want to do. Okay. But when it becomes an agenda, then it's a different thing. And that has destroyed the birthright. And having children is going long on the future. Not having kids is shorting the future.

David Phelps: That's right. That's right.

Jason Hartman: And it is just sad to see how people, they're just kind of living for today a lot of times. And I think that is largely intertwined by this ongoing, not only debasement of the culture, Hollywood is doing that, but the debasement of the money.

David Phelps: Yes.

Jason Hartman: Yeah.

David Phelps: Yeah. No, no. You're exactly right. And I appreciate you giving some context to history and the study of sociology, because yes, there's a lot we can learn from that and the trends. And being a savvy businessman or investor, we want to stay ahead of the curve to the extent we can. And that curve is moving very quickly. So understanding where we've been, where we're going and why, provides a lot of insights into how we might position ourselves. What do we want to personally try to do to deal with the culture? And we won't talk about that today, but I know we both have our own convictions about what we each... Each one of us in our own right could individually be dealing with responsibility.

I picked up today. So I'm going to just pick up where you kind of left us there with inflation. So Wall Street Journal today, inflation and anxiety. Just talk about gold. Well, I mean, that's one indication of inflation. You have an interesting index that you've brought out in recent months. It's the Hartman Index. So to give a little context to inflation, because some people, I mean, people who they are feeling it right and left on the consumer price basis. Right. And you have some of that in your presentation?

Jason Hartman: I do, I do. And I could-

David Phelps: Why don't you pull that up, if you want to share that. And then you can talk about it to the people that are listening to us today, but I thought was interesting to give some context, so I'll let you take it from there.

Jason Hartman: Absolutely. So I developed an index called the Hartman Comparison Index or the HCI for short, and the HCI is basically something that can help people understand if real estate is overpriced or under priced or fairly priced. And before I go into that, just a few points on inflation. And for those of you watching on YouTube, you can see this, but if you're just listening in audio only, I'll try and elaborate and explain what is being shown visually. So I think we all believe that the dollar is being debased and its value is declining very, very quickly. And for the first in probably every single person's lifetime who's listening to this, now it's not the first time in history, but it's probably the first time in almost everybody who's listening's lifetime. We have a time when the stated rate of inflation via the consumer price index is officially.

Now that's always a lie and it's manipulated down and they lie about the rate of inflation through hedonic indexing, waiting and substitution. And we don't have time to go into that, but just know the index is artificially lower than it really is. But currently David, the index is lower than or higher, sorry, higher than interest rates on a 30 year mortgage. Now that has probably not happened in anybody's lifetime who's listening to this right now. It did happen in the forties for a short time. Okay. So maybe. I mean, for my mom, she experienced it, but didn't pay attention to it, I'm sure. And so when we borrow money today, we are literally borrowing officially at negative interest rates. Now, if they say the rate of inflation is 6%, for example, which 6.1 was the last number. And you can borrow money for three decades at 3%, you're literally getting paid 3.1% to borrow.

But I say the real rate of inflation is about 14 to 15% right now. So think about it. Bernie Madoff scammed so many people and his big promise was that he could get people eight to 12% consistently. All you need to do to get that right now is borrow money on a piece of real estate and you could literally leave the house vacant and earn that rate of return, because you're paying the money back in cheaper dollars. So this is how we short the dollar. My portfolio is long on almost everything, but I'm shorting the dollar big time through 30 year fixed rate mortgages. And that's one of the things we can do. It's one of the things I teach, I call it inflation, induced debt destruction. I know it's a mouthful.

David Phelps: That's good.

Jason Hartman: Inflation induced debt destruction. And Janet Yellin and Joe Biden are spending money like it is going out of style. And when the government spends, it creates inflationary pressure and that inflationary pressure is now hitting the street. So think about it. What does the government do in this situation? I've identified six real choices of how this can play out, and it's already starting to play. They can default. They can literally say, hey I know we made all these promises. I know we promised you social security and free healthcare and socialist utopia, but sorry we can't fulfill the promises because we ran out of money. Well, very politically unpopular, very unlikely. They could raise taxes and the Bernie Sanders of the world, I mean, he's like a juvenile.

He doesn't understand how the world works. And if you literally taxed everybody at 100%, you could not solve this problem. The GDP of the country is just over 20 trillion a year. That's the whole value of what the entire us economy produces. And the government takes in about four trillion a year. Okay. And so there is no way to solve this problem through taxes. Laurence Kotlikoff, the economist, who's been on my show several times, he's maybe done the most in depth study of this. And in addition to the deficit and the debt, there's another component of this. And you probably know what I'm going to say.

David Phelps: Yes.

Jason Hartman: It's the unfunded mandates, right?

David Phelps: Yup.

Jason Hartman: Yeah. The unfunded entitlements. And these are the promises the government has made coming over the next 10 to 15 years. While Laurence Kotlikoff says that's about 220 trillion. And guess what, David, that was before the pandemic.

David Phelps: That's right. That's right.

Jason Hartman: So post pandemic, and by the way, I inserted that L intentionally, okay. Got to have a little...

David Phelps: Levity.

Jason Hartman: Perverse levity.

David Phelps: Yes, yes.

Jason Hartman: In here. Yeah. So it's much higher now. So think about it. If we taxed everybody 100% and we got a 20 trillion dollar economy, it would be 11 years of 100% taxes. In other words, slavery, for the entire nation to pay just the promises the government have made. If it stops making promises right now, it's impossible.

David Phelps: It's impossible. You're right.

Jason Hartman: The math doesn't work. Okay. We could have a yard sale. We could sell the ports to Dubai. Remember a few years ago or about 10 years ago, they were talking about that. The bureau of land management sells off land to real estate developers from time to time. So we could sell military equipment to foreign countries, maybe some of them, we shouldn't be selling our technology to, but we're going to do it because we're broke. And we could use the U.S. military to steal assets of other countries. Hey, look, this is the history of the world. It's not pretty, but it is the history of the world. Most of the world map was drawn this way and a fight over resources. We could have some great technology that saves us all, and this would be the good thing. But the most likely thing is they will simply inflate their way out of the problem.

David Phelps: Yup.

Jason Hartman: Because think about it. If the U.S. government and owes a trillion dollars to China, for example, and you have 10% inflation, doesn't matter if that's in one year or two years, three years, just 10% occurs. That means that 100 billion dollars of that debt just evaporates, poof. Magic. That's inflation induced debt destruction. So this plan is something the government wants and the central banks want, because it's a good deal for them. So without going into the inflation thing too much, I think we probably all agree that that's happening. Let me just forward to the index a little bit, because I want to discuss this issue of whether or not things are overpriced.

David Phelps: Yeah. It's always relative to what? Right, Jason?

Jason Hartman: Yeah.

David Phelps: And that's what you're going to show here.

Jason Hartman: Yeah.

David Phelps: Good.

Jason Hartman: Absolutely. Absolutely. So we've got to ask what our measuring stick is. When we measure the value of something so many people, they know the price of everything and the value of nothing. Now, when I was a kid, I used to watch reruns of a show that you probably remember called, Hart to Hart. You remember that show?

David Phelps: Oh, yeah.

Jason Hartman: Well, I like that show because it was aspirational for me as a kid. And it started out saying, this is Jonathan Hart or it was Max the chauffeur. This is my boss, Jonathan Hart, and he's a self-made millionaire. Whoop-de-do, right? A millionaire, that ain't nothing anymore.

David Phelps: Not today.

Jason Hartman: Yeah. You've got to be a deca millionaire, which means above 10 million to be even close to equivalent of his lifestyle back then. Right? So the value of the dollar keeps changing and we keep measuring against the same thing. When we look at real estate, we've got to understand, are we looking at linear, cyclical or hybrid markets? They are very different. And right now the stats I'll just share with you today are for the nation. But I just want to go into this linear versus hybrid thing for a moment because the chart I'm showing on the screen now is for a linear market. We've been very active selling properties to clients in for many years. This is Memphis, Tennessee.

It's an area largely populated by renters. It's a big logistics city. FedEx is a major employer there. And if you look at this chart, it is very linear. You see how this just chugs along the appreciation. It goes up, it goes down a little bit sometimes. Goes up some more, but it doesn't have any pronounced ups and downs. Now this on the other hand is Miami. Now I live in Palm Beach just north of Miami. And you can see the chart here looks like a rollercoaster, ups and downs. This is a linear market. Indianapolis. The chart looks very even right. This is Los Angeles where I grew up.

David Phelps: Oh yeah, yeah.

Jason Hartman: And it looks like a rollercoaster.

David Phelps: It does. It does.

Jason Hartman: That's linear versus cyclical markets. And we like the linear markets much better.

David Phelps: It's interesting when you look at the linear markets, when you show that, and of course the correction or the downturn that people most remember in any age range is the most recent one, 2008 financial crisis. Right?

Jason Hartman: Yeah.

David Phelps: And it's interesting that you showed, which is typical in the linear markets, which is what I experienced was yeah. Was there a dip in values, but not heavy?

Jason Hartman: A little bit.

David Phelps: A little bit, a little bit, which is okay, because when you're investing for cashflow, as long as the cash flow stays steady, which is what we look for, that dip in value doesn't matter. You're fine. You just write that linear model, but anyway, back to your point. So I don't want to steal away from your great presentation, but where do you see our cycles going, or the market's going in the next 10 years? I mean, it's a little bit of a guess of course, but just from your standpoint, what do you think we're going to be?Linear, cyclical or you mentioned, obviously hybrid.

Jason Hartman: Well, I will give a little spoiler right now.

David Phelps: Okay.

Jason Hartman: I think the cyclical markets, like the west coast of the U.S., the expense of Northeastern markets and south Florida, where I'm not too far from there, those markets are overpriced. And they are going to suffer greatly when there is a correction, just like they did the last time around. However, the linear markets, which are most of the country. Okay. They're what the criminal, known as Hillary Clinton calls the flyover states. Okay. And that's most of the country. Most of the country is a linear market. So the markets we recommend to people in Florida, not the high flying Florida markets, the sort of very linear, boring markets, Jacksonville, Ocala around the country, Memphis, Indianapolis, Texas has gotten a little bit expensive, but some of those markets still work.

And those markets are good. I think they're actually quite cheap. So when we look at the compared to what question, we answer, is it cheap or expensive? Well, here's the index. Here's the Hartman Comparison Index. And just a couple samples from it. It compares a whole bunch of things, but gold. Gold has been considered money for thousands of years. And David, I'm not a gold bug. I don't think you are too, but I'm actually not sure. We've never discussed gold. Have we?

David Phelps: No, we haven't.

Jason Hartman: Yeah. What do you think about it?

David Phelps: Well, I do have some gold, but I don't have an inordinate amount of it relative to my net worth for my investments. No. Yeah.

Jason Hartman: Yeah. I have a little bit too. I just call it insurance, just in case I need it. Okay. But if you look at real estate over the decades and you compare it to gold, instead of the dollar, you, you really can find out some interesting things. Let's just go back. Let's go back maybe to 1990. Okay. Which I kind of call 1990 the peak of civilization. Because I think after in 1990s, when it all started going downhill, when all the really ugly music came out and just a lot of like 1990 was sort of that turning point, sadly, I think. And a lot of it has to do with music, but gold was $293 an ounce in 1990 or sorry. Gold was 415 an ounce, and it took 293 ounces of gold to buy the median price house. Okay. So if you wanted to buy the median price house for 121,500 in 1990, you'd have to walk in with a suitcase with 293 ounces of gold. But today you can buy the median price house, which everyone thinks is expensive, for $380,000 or gold since it's 1795 an ounce in September.

David Phelps: Yeah. Give or take, yeah.

Jason Hartman: Yeah. Give or take. You only need 212 ounces today. So priced in gold compared to 1990, which was what? 31 years ago? Is housing cheap or expensive? Well, it's actually cheaper.

David Phelps: Yeah.

Jason Hartman: Yet most people think it's a lot more expensive, because they don't compare it to enough things.

David Phelps: Exactly.

Jason Hartman: And gold is just one of many things. You could also compare it to oil. So in 1990, since we're kind of using that as a year, if you wanted to buy a house for $121,500, the median price home in 1990, oil was $23 a barrel. It would take you 5,366 barrels of oil to buy that house. Today, the house is $380,000 oil. As of September it was $68 a barrel. It only takes 5,590 barrels of oil to buy the same house. So I mean, think about it. It's 200 barrels, more expensive. That was 31 years ago. That's not a big shift. Okay. But you need to do this with a lot of things. So as part of the Hartman Comparison Index, we look at rice, the food stock for two thirds of the world. How much rice would you need to trade for a house? How many dollars? How much gold? How much of the S and P 500, here's a good one. Let's do this one. So 1990 S and P 500 share was $360.

And a house was $121,000. It would take you 338 shares of the S and P to buy a house. So if you owned stock in the S and P, you'd have to cash out 338 shares, convert them to dollars and then go pay for the house. But today, if you own shares of the same S and P, the same index, the house is 347,000. This by the way is, as of June, it wasn't updated. The others are September. 347,000 in June, the S and P then was $4,352. You'd only need 80 shares. So if someone listening to this, what do you do with this? A lot of people say, well, Jason, okay, that's all interesting, but what do I do? Well, this is the thing you have to think about. If you are, for example, saving to buy a house, when you get your paycheck or take a distribution from your business or whatever, when you have money, extra money, you make a decision. Are you going to put that money in the bank and save it, denominate it in dollars?

Or are you going to convert it to something else? Like shares of oil, shares of the S and P, gold, Bitcoin. There's a lot of options here. And all I'm trying to do is get people to see that when you compare the price of real estate to multiple measuring sticks, instead of just using the dollar, it is very, very enlightening, very enlightening. And we have a white paper on this, which is, I can't remember. I think it's 17 pages long. And it's got lots of charts and graphs, lots of narrative and people. If they just get on our mailing list at jasonhartman.com or they get my free book at pandemicinvesting.com, they'll be on the mailing list and they'll get an offer for the white paper and it's totally free. And it explains this in a lot more depth.

David Phelps: Excellent, excellent. Well no, that's really great context. And I think your index brings about a better way for people to make those comparisons because you're right. People today say, "Well, everything's expensive and real estates too expensive. And am I too late to get in on it?" And we know there's great ways and tools to make those assessments. And you brought out a great one with the Hartman Index. So question Jason, we like alternatives. We like real estate. Like you, I started very, very young and built my outside wealth, my plan B wealth and income on bread and butter real estate, just as you do today and you teach that today as a fundamental. The opportunities in real estate we like, because the real estate market, as you've brought out, is not a national market. It's very local. You can choose the markets. It's inefficient and it's dislocated, which are all good things. If you're willing to do what it takes to make the connections or do the work yourself, which a lot of us did when we were young. Right?

Jason Hartman: Yeah.

David Phelps: But now we have people that are well into their mid-career and they're taking liquidity events and they're retiring out and going, oh my gosh do I have enough? Right. The financial markets say, "Do you have enough? Have you accumulated enough?" Of course, they never know, because their algorithms are all based on the last 40 years of lower interest rates and relatively low inflation. Now I think we're turning the curve and I think we're going to start ramping back up the other way. And now we're in an environment, another long wave cycle that most people, and certainly people in the wealth management space have no clue, no idea whatsoever to do with it. So we're in this kind of specialized niche space. And is it still a good place for the retail quote, one of the passive investor to do something different? I mean, I know what your answer's going to be, but for someone who's just listening today, give them some confidence.

Jason Hartman: Okay. So first of all, you mentioned the Wall Street cartel. And I like to call Wall Street the modern version of organized crime. And what people have to realize is that most of these financial advisors wear nice suits. They probably went to good schools, good colleges, but they're basically just sales people who have very little real knowledge of how this stuff works. Their job mostly, not all of them, but the vast majority of them is to simply go and schmooze people, network with people and be nice, and collect money to stick into a fund. That's essentially what they do.

And when I sold my last company to Coldwell Banker in 2005, I had a big check coming to me, David, and like, many of your dentists who are selling their practices, they're thinking like, well, what do I do? Well I went around to all of these wealth management people and I hired an exit planner to get tax advice. And I did all of this stuff. And the amazing thing is they all gave me these beautiful thick reports with a bunch of charts and graphs and pie charts in them. And the thing that blew my mind is that every pie chart looked exactly the same. It was the same-

David Phelps: But they're pretty.

Jason Hartman: Yeah. It was the same stupid pie chart from every one of these guys. And I want you to understand, these aren't the retail guys. These are the high end, private client group people for the wealthy people. Right. And it was modern portfolio theory. It's like, okay, you got to have some small caps, some large caps, some international. There was nothing innovative about anything any of them were saying, you'd probably just be better buying a Vanguard S and P fund. Okay. Which by the way, has been proven over and over. If you don't believe me, read the book, The Random Walk Down Wall Street, and where are all the clients yachts? The famous line from that book.

David Phelps: Yeah, exactly.

Jason Hartman: Right? Yeah. So Wall Street's a scam. Okay. We've got to take this into our own hands. We've got to be doing our own stuff. If you delegate this very important part of your life to somebody else, you might get a modest return, but they're going to take a huge handling fee off the top for managing the deal. And for my money, I want to be a direct investor, and I want control what I invest in. I don't want some bunch of middlemen investment bankers, brokerage houses, fund managers, skimming all the profits off the top, or even before them, the CEOs and the board of directors of the companies and all this stuff. I want to be mostly in stuff that I have control over that. Why is it that people, they get lazy with their money? If you have an employee in your business, you wouldn't allow a lazy employee to keep working for you.

Yet, for some reason, that's just part of human nature. We're willing to let our money be lazy. We're willing to have a whole bunch of equity and real estate that's not working for us. We're willing to have a bunch of money in a stupid mutual fund that's barely working for us, if at all. Income property is the most historically proven asset class in the entire world. It's got a very long history of success and is the most tax favored asset class in America. And taxes are the single largest expense in anyone's life. So it is incumbent upon us to learn about income property and become good at this. It is vitally important. It is not something you can delegate to somebody else.

David Phelps: I, 100% concur and Wall Street would say, "It's too complex a world out there. Just give us your money and we'll take good care of it." And that's banking on a hope and a prayer. So-

Jason Hartman: Yeah. Famous last words. Yeah.

David Phelps: Yeah, yeah. Well, listen, I really appreciate your time today. We could go down 15 different rabbit holes, and I think we should come back and go down some of those, because it would be fun. It's always fun to talk to you, your insights, your perspective. Philosophically were in so much alignment. And yet we were raised by different mothers and different geographies. But we figured out along with a lot of other people that are in the same circles, and if we could just help more people get it. Because I think people today, Jason, you would agree, the generation's coming up.

We're in the generation's even retiring day. It's a different ballgame. If you thought you had it figured out and you thought you had a plan before, trust me, that plan needs a new playbook today, and you better figure out what that playbook looks like. And there's no advisor out there that's got it figured out. You're going to have to do some work yourself and connect yourself to the right people. We're all figuring it out together, but do it with a tribe that's been there, done it and has really a finger on the pulse of the markets we want to be in. To me, Jason, that's the best insurance policy I can buy.

Jason Hartman: I couldn't agree with you more, David. And I'd love to just talk with you for two more hours on this stuff. But I will say just a couple things. Number one, sadly America has become a kleptocracy. And it's kind of like, the elites see the culture falling apart. They see all this divisiveness. In fact, they create a lot of the divisiveness, because—

David Phelps: They want it. Yeah. They want it.

Jason Hartman: They do want it, because it's a distraction. And as they are distracting all of us, they are just buying up all the assets. They're controlling all the assets and they are its kind of like the person who's trying to get all the gold off the Titanic before it goes down. And it's sad. It but look, everybody listening has got to do part. And the whole reason you're doing this is because it's not just about money and buying things, but it's about having the freedom to make choices. Maybe you need to move and change your geography. Maybe you even need to change your country and your citizenship. And if you have assets and money, this will be a easier for you. You can ensure your own liberty and your own freedom, much more effectively with resources than without them. Otherwise, you're just going to be a pawn in their game. And it is truly evil what the elite class is doing to the country, but it is what it is.

David Phelps: It is what it is.

Jason Hartman: Yeah.

David Phelps: All right. Well, Jason, jasonhartman.com, pandemicinvesting.com. You can pick up the white paper, pick up the book. Jason's got multiple media podcasts out there. If you just type his name, he's going to come up somewhere. So you can plug into the Jason Hartman world. I'm glad to be a part of it. Jason, thanks for being with us today. We'll come it back and do some more in a future episode.

Jason Hartman: Thanks, David. Happy investing.

David Phelps: Thank you, sir.

Ep #359: Jason Hartman - The Hartman Index - Everything is More Expensive...Compared to What?

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