

The Fourth Turning: Staying Resilient When Cycles
Converge into Crisis (Part 2) - Daniel Marcos: Ep #444



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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 all, it's David here, welcome back to the Dentist Freedom Blueprint Podcast. This is the continuation, the second week of a conversation that I started last week with one of my mentors, Mr. Daniel Marcos.

If you missed last week's conversation, podcast, you'll want to go back and catch that one and pick up where we are going from today, talking about the cycles, the book, *The Fourth Turning*, and how that blends into our positioning in the current marketplace.

What we may have to look forward to ahead, not just the challenges, but also the great opportunities, it's all about positioning yourself. Enjoy my conversation with Mr. Daniel Marcos.

You have a perspective that many of us do not. Those of us who have been, I guess, blessed to say that we grew up here in the States and we don't have the international exposure. I've spoken to you and other people that we both know that have that international exposure.

And I think it's perspective, all this is about perspective and if your perspective is limited, as many of us have, and you also maybe with recency bias, we look back only so far and we

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forget that even someone who's lived in the U.S. for five or six decades, there have been economic and political changes just as Neil Howe and Strauss talk about in their book.

We've lived through those, but we don't have perspective. And the U.S. is to this day, notwithstanding the issues that we know we have at play, and there are many, but our relative basis, we're still the best of the worst.

And you mentioned a lot of the attributes that this country has that other countries do not have. So, even the midst of where some of us, and I say I'm one of those who, when I look at the amount of spending, the deficit spending, the debt that we're piling up, I mean, we can all just wring our hands and say, "Oh my gosh, it's the end of the world and it can never happen."

And what Neil Howe says, as he talks about the four turnings and this being the fourth and being a time period of upheaval and volatility and chaos and disruption, which none of us like, as humans, we're not built to appreciate at all change.

You said it, animals do it very, very well, we don't. So, we don't like this. So, we create I think a lot of unnecessary angst. Not to say that we shouldn't be, we have to understand it and acknowledge what's happening. But do we just say, "Well, it's all over and we're not that kind of person."

Howe says the same thing, he says in the book, he says, "These turnings, while they are calamitous and a lot of angst to the table," it said, there is a reset.

So, when you talked about playing the long game, I agree, the long game with any kind of investment, that's the way we have to look at it. And we can't be offset or become net sellers or put our heads in the sand because we go through a period of time

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where in this case with investments, cash flow becomes more limited for a period of time.

You have to look at what's the asset and what's the sustainability of that asset over the long-term, notwithstanding the ups and downs.

Let's talk for a minute then also about businesses. Because you coach internationally business owners of all different levels and sectors of the marketplace.

How are you advising them to ... and again, I know this is a big broad question, but how are you advising them in general to look at if you talk about the next 4 or 5, 6, 7, 8 years approaching 2030 with what we're kind of talking about things converging.

Is this a time to look at expansion? Is this a time to look at having more adaptability? Is there some general rules of thumb that you're giving to people that you consult with?

Daniel Marcos: So, first let me talk about a realization that happened to me recently. So, I'm a member of EO and YPO in the U.S. and I sit down a lot of masterminds in the U.S., and I sit in a couple in Mexico.

And in the U.S., we're always talking about strategy and all the things of the business.

And I was recently too in Mexico and we're talking about how your competitor is importing through buying invoices and lowering taxes. And if you don't do that, you cannot compete.

So, all my clients and all the CEOs in this group, they were all talking about how to use the system better, whatever, if not, you won't be able to compete because of all that.

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So, my conclusion was Mexico's going to do great by the way. You could not stop the nature on the economic force of the U.S. market. And if the U.S. market fights with China or gets away a bit from China, they're going to send outside manufacture to Latin America.

They've sent a lot to Vietnam, by the way, from everything that China has lost in manufacturing, the biggest winners be Vietnam and then Mexico. So, Vietnam's going to do great, but there's a lot of political, social issues and all that, that if you know how to handle that, you'll still make a lot of money.

So, here's my latest recommendation to my clients in Mexico and said, "Hey, if you are able to produce something with all the insecurity, legal issues, all the political and craziness that we're having socially with — everything, and you're still able to produce, you're going to make a lot of money."

It's going to be a very uncomfortable the process, but the demand is not going to stop. You could equate that or make an analogy with the drugs. We are having a really big problem in Mexico because of drug dealers.

Drug dealers have more money than the government. They buy politicians, they buy police officers, they buy whoever they want, they just have so much money. Can we fight that? No, if we don't stop the buying of drugs in the U.S., never going to happen.

So, if you're able to live with all of that in Mexico, you're going to do great because there's a big need for the man. There's a really big need for someone that really knows how to handle the country and how to move politically and the rest.

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And you're able to continue to make money with all of that, you're still going to get companies to buy from you. You're still going to get people buying your service and products. So, if you are able to deal with all of that, you're going to do great.

So, would I invest internationally? Some countries like Costa Rica has a great rule of law. It's very, very stable, Columbia is doing really good recently. There's certain states in Mexico that the demand is really, really high of like warehouses. There's a huge shortage of warehouses in the North states in Mexico.

If you're able to build warehouses in north of Mexico, I think is a great business. There's some states that have a more favorable business by matter of politics. But yes, I would put money outside selectively.

Indeed, if you remember the book *The Next 100 Years* by Friedman, indeed was Peter Zeihan ex-partner. He said, the two countries I'd like the most in the future is Mexico and Turkey. He said, except they create a political suicide. He wrote it 10 years ago and said, these are the two countries I think they're going to do the best.

Like Turkey, I have no idea how to invest in Turkey. I really have no idea, but it's a very, very strategically located country in the world. They have a strong population; they have a strong business community. If you could partner with people there and know how to make money there, you should, I think it's a great country.

Mexico's going to do great, you won't be able to stop the demand in the U.S. It's going to be uncomfortable in the process, yes, you have to be secure. I'm going to have to — in August, I need to go to five cities of Mexico. And I was planning of driving, I'm going to go with my wife.

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And I asked around, said, "Hey, these highways," and they say, "If you do it in the morning, you have no problem." So, I'm just going to do all my trips before 6:00 PM and I'll be fine.

But I have to have a call to a couple of local people and said, "What are the routes or where do I need to do it?" Just give me some advice. So, I feel very comfortable.

There's certain countries that are going to do great, like Colombia, like Costa Rica, like Mexico, like Guatemala, there's going to have some instability. And if you look at long-term, they will do great.

Short-term, are you going to have something? Most likely going to have something. But let me close with one thing that I'm ... this, the countries by GDP. I think it's really important this analysis. And let me kind of walk you through.

So, the GDP of the world is around \$90 trillion. The U.S. is 21 trillion, then you get to China 13.4. But from the 13.4, what percentage is internal market? Probably a third. The U.S. has 20 trillion, but how much is internal market? Probably half or 60%.

So, the internal market of the U.S. is probably two or three times bigger than China internal market. And then if you go to the population pyramid, China's like this and the U.S. has a nicer population pyramid.

But then you get to Japan, four points, like 5 trillion, then Germany, four, then United Kingdom. So, United Kingdom is nine times smaller than the U.S.

Even if everyone likes the UK and the UK says we're going to use the British pound as their reserve currency, their economy

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is not big enough to be the reserve of the world. And you get to France and India and Italy and there's nothing there.

So, the size of the U.S. compared to anyone else is just too big. So, there's no other currency that could be the reserve of the world, the internal market, nothing. It's just there's no comparison on size.

And there's all these countries getting together to the break and get to a — I would love for it to be another currency that is a reserve. It's dangerous even for the U.S. to be the only reserve currency.

But the European economy, they did the Euro and now it's worth one-to-one and it was two-to-one like it started or something like that.

So, there's some forces that you could not stop. As Mexicans, we cannot stop their consumption in the U.S. And as long as there are consumption of drugs, we won't be able to stop. That's part of reality, you have to deal with it the best.

Same in the U.S, are we going to have ups and downs? Yes. Can you stop it? No. Can you deal with them the best? Try to invest the safest, ask good questions, go with good sponsors and just look at them through long-term.

David Phelps: Bringing it closer to home, and I really appreciate the international perspective and some of the facts and figures that you brought forward, that's really, really helpful.

Particularly, for a lot of us in the investment world, bringing it closer to home here in the U.S. domestically with let's say not so much manufacturing, but with service providers. We have a lot of service providers we deal with.

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And what would be some of the dangers that you foresee if someone is really not staying up to speed with the dynamics and potentially, we're already in a recession going into a deeper recession towards the end of this year and we're still dealing with somewhat of a distorted labor force.

The unemployment rate is still extremely low, but then, what's the composite of that? I think there's a lot of part-time, there's potentially layoffs coming. Maybe that's a good thing for us if we need to attract better labor, maybe that's the opportunity.

But what are some of the dangers that someone is not maybe being aware enough of to get through the same kind of a gap period that maybe we have to do in our investments where we don't maybe have the same cash flow but the asset itself is still sustainable?

How do we make our service businesses do the same thing, be sustainable and look for the opportunities?

Daniel Marcos: Remember you and I talk about this analogy that there's a fire on the forest and it's going to get all the weeds and then some of the trees are going to go under, but some of the trees are going to stay. I think of these the same.

I try to do partnerships or work with suppliers or vendors that I feel they could, let's say, sustain their operation the best.

By the way, interestingly at the Growth Institute, we've got some clients in the past recently that they're beginning to say, "Hey, can you give a course to one of my suppliers? Because I need that supplier to stay alive and I want them to run with scaling up or whatever."

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So, some clients get sending their suppliers to make sure their work. I've done supplier training for Walmart or Starbucks in Mexico; I've done for several because they know sometimes the limitations of their suppliers.

So, I like to ask questions to my suppliers, a little bit of what they're doing. And they sometimes feel that it's weird that you're asking all these questions, but as an example, I love to hear if the CEO is reading something.

When I talk to another CEO, I said, "Hey, what are you reading?" And if they're not reading any business book or anything, I'll be worried. If they said, "Oh, I'm part of EO or part of YPO and I'm reading this and I'm checking this course," that gives me a really good sign.

So, as an example, a dentist that goes to Freedom Founders, usually they're exposed to a lot of ideas and books and recommendations, and usually they stay at a higher level than their competitors, that they're just in a cycle just working with teeth. So, I try to ask all these questions to see what they're doing.

And if you see they're progressing, they're learning, they're doing all these new things, you kind of sense if they're in the right stage. If you see a lot of flashy things, I run from them. And it's incredible, they try to tell you they're doing great by showing you flashy stuff, not just on the personal side.

As an example, we had a client, they used to buy real estate to put cell phone antennas and then do cell phone antennas and just lease it to a telephone companies.

When we changed the website and made a much nicer website because the company was doing great, the acquisition and rent

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of the real estate went through the roof because someone said they want to buy this land from you or rent this land from you.

They saw the website and it was a beautiful website and they said, "Okay, these guys could pay the money and then raise the rate." Now, we just lower the website. It's ugly as hell, but it's practical and we're getting better rates again, as simply as that.

So, I will try to see how flashy they want to show they are or are really focused on hey, being more efficient, investing in technology to be more reliable, those kinds of things. And that will tell you how they're thinking.

And if you could even have a conversation with the CEO and kind of understand where they are, I think that makes a lot of sense.

David Phelps: Learning how to dig deeper beyond the surface. Because as you said, particularly in times when the market is just on a roll up, and unless you're just totally incapable, everybody looks like they're doing well.

And the more people do well, the more they become complacent, the more the flash comes out, "Oh, I don't need to do that work anymore, I can just look big." And until you dig beneath the surface to really see what's really there. And that's part of what we talk about is vetting or due diligence.

Well, we all have to do that. We have to do that every day in our lives when we're just dealing with people or maybe we're going to hire somebody else. We have to dig a little deeper, we have to learn how to do that, there's an art to that.

And if you just look at what's on the surface, the outer appearance, you never really know. And I think it's a very

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important time to be able to do that, I'm glad you brought that up today.

Daniel Marcos: So, there's an example, in Mexico, there's a thing you could call the Mexican IRS and see if the company that you're dealing with is on top of their taxes, if they're not delaying their taxes.

Before people were not asking for it. Today even the smallest client is asking for that proof that I'm having financial trouble, I'm going to be behind my taxes. So, legitimately, you could call the IRS or get a letter that proves that they're on time with their taxes.

That tells me a lot because I'm doing a new alliance with some lawyers and we're going to help all these law firms implement scaling up and one of the requirements they have to prove they're on time with their taxes, and it's simple as that.

And people said, "You're going to ask if they're on time with their taxes to accept them to a mastermind." And I was like, "Oh, yeah, because if they are having financial issues, they will have issues with their taxes, I don't want that drama to come in."

David Phelps: No, you want a caliber of people that you know can all roll it together. And if you've got some that are not there financially, otherwise, then they're going to drag it down and it's maintained the caliber of whatever your platform is, it's very important.

So, you're right, people I think have been almost apologetic, being remiss about asking these questions. No, if there's ever a time to ask what we might consider the more difficult questions, this is the time because anybody who is doing it well, they're

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not going to be offended by answering those questions, why would you be?

Daniel Marcos: Indeed, if they're doing well and they know their competitors are not doing well, they're going to say, "Now, if I prove to you that I'm doing well compared to my competitors, my probability of you buying from me is much, much higher for a long-term."

So, I'm even welcome my tough clients because they know I'm really strong. So, I'm happy that they're going that way.

David Phelps: Exactly.

Daniel Marcos: Because I know I'm better than my competitors and I'm more stable. So, if you are asking the right person, they'll be even glad to give you the information and answer your questions.

Because they know they don't have anything to save, to hide, and they know that you're going to ask same questions to their competitors, and they will not be able to respond the way that you respond.

David Phelps: I love that.

Daniel Marcos: I'm all in favor of asking tough questions and don't feel ashamed of asking the questions.

David Phelps: Exactly. Daniel, I appreciate, thank you so much for your time.

Daniel Marcos: Thank you.

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