Private Lending Investing - Less Risk and Steady Returns - Tom Berry: Ep #503

Full Episode Transcript

With Your Host

Dr. David Phelps

[Dentist Freedom Blueprint](#) **with Dr. David Phelps**

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Tom Berry: That's what I do when I can't buy is I lend. Now, if I could be out buying every day, all day, I'd love to do that because that's where my heart is. I'm a deal junkie when the numbers work. But if they don't work, I just lend. It's a nice place to just sit back and collect a great return until The market offers me another opportunity.

"David was of course a dentist, but he was a very sophisticated real estate investor. He had run with a circle of probably the most sophisticated housebuyer types in the country."

"David is a student of the game."

"I would never say this about most people. I would get in a foxhole with David."

"His knowledge is unreal. I mean, it's off the charts."

"This is not some person in front of you going, 'Yeah, just give me your money and I'm going to invst it in real estate.' It's way more elevated than that."

"The most common message I get, I want to thank you so much for introducing me to Dr. Phelps because my wife and I—we went to Freedom Founders. We're on a path. We're going to be financially free. We are going to retire sooner. We are going to be happier. This changed our life."

David Phelps: I just finished up a great conversation which I was able to record with Tom Berry when we went really kind of down the rabbit hole of private credit lending. Something that we've been doing in Freedom Founders since when we started. Like equity properties, turnkey properties, but also doing private lending.

It's the two pieces of the capital stack. You got the equity on the top, which is what everybody loves. You want ownership. You want the leverage. You want the growth. You want the tax benefits. And that's where the equity comes from. But you also have the capital stack on the credit side or the debt side.

It's debt to the person who's borrowing the money. It's credit that we're extending when we make a loan as being the bank. And we do a lot of that in Freedom Founders as well. And there are certain protocols when you're making direct investments, which again, whether you're buying an equity turnkey property, taking title back in your name or your entity, or you're making a direct loan to a commercial borrower, who is going to do something with the property, fix it up, resell it, whatever.

Again, it's called a direct investment because we, the individual investor, we get to hold the title to that, property. It's a little bit more active or semi active than being passive in a fund or syndication. So everything has a play. Everything has a place, a time. And I think this is a great conversation that will give you just a little bit more of a perspective on where private lending may fit into your asset allocations, and again, best practices on how to do it well.

Tom Berry: One of the top questions that I get asked, particularly when passive investors are looking at our funds to invest in, and they find out what we do, they're like, why would somebody pay you that kind of interest rate? Why don't they just go to the bank, right?

And the reality of it is, as you well know, banks are very niche in what they'll lend on. If private lending and private investment didn't exist, the country would come to a grinding halt. Really private investment and private lending and whether it's through funds or syndications or joint ventures or whatever, but all of that combined is really the grease that keeps this country rolling.

Without it, everything would grind to a halt. Now that's a pretty big statement. So let me back it up a little bit with some facts. The bulk of the people that come to us for lending, for borrowing opportunities, they would not be able to get a loan at a bank for one of three reasons. Either A, they are not bankable themselves.

Why wouldn't they be bankable? I wasn't bankable for my first 10 to 12 years in real estate investing because I hadn't had a W 2 in five years, six years, eight years. I was self employed in real estate, which gave me huge write off opportunities. I can remember this was not that long ago, maybe five or six years ago, my wife wanted to refinance our home that we live in. We had a lot of money at the time in a particular bank. It was more than twice what she wanted to borrow against our home in cash, sitting in combined accounts. And the bank came back, and this is a, one of the biggest banks in the United States, came back to us after three months of going back and forth with Melissa and finally said, Your tax return, we just don't understand it.

At the time. Now we're more complex today than we were back then, but at the time it was 276 page tax return for one calendar year. Guys like that can't get bank money. Okay? That's the borrower not being bankable. The deal might not be bankable, meaning banks are very niche in what they'll lend on if they can't see the vision and they're not visionaries.

Bankers are, not visionaries. they're not, they're just gonna say no to it. And then thirdly, the timeline may not be bankable. What do I mean by that? It might take three months to get a bank loan. If a guy's got a really good deal, he has to move quickly in the real estate investing environment and quickly is usually weeks, not months.

So those are the three reasons people would use somebody other than a bank.

David Phelps: Well, you set the stage very well. This is what you and I understand. And people that are in our network understand, but yes, outside people just don't understand why. The conventional traditional banking system doesn't make loans to everybody, but you just nailed it right there.

They're very regulated, extremely regulated. They have auditors that report and they have to keep, we call it a buy box, but it's a lending box. Their criteria is very, narrow. And as you said, They're used to dealing with people who have very simple tax returns, W 2 reported earnings, which can be substantiated very easily.

That's what they like because for them, it's safe. But to your point, that's not what makes the wheels turn around in our economy. It's the entrepreneur, small business owners, people out on the street that are making things happen that, as you said very well, grease the wheels. Now that we've set the stage for why private capital coming from people like you and me and other people we know that have money in, maybe it's IRA type accounts, or just taxable money, it's like, I'd like to get involved in real estate, let's differentiate a little bit because a lot of people don't understand how we can get involved in that. You have a conduit for that, which we're going to talk about. We think typically, Tom, that real estate means you need to own something. It's the equity piece. I need to own a rental property. I need to own a short term rental. I need to own a house. All or part of a multi family or some retail center. I need to own because that's typically where all the tax benefits, the growth, the financing leverage, all the aspects of real estate that we tend to love comes from. Why would somebody think about doing lending, being the bank?

Instead of being an equity shareholder, why would you even go that direction?

Tom Berry: Well, I like both, as you well know, I am more an equity guy at heart, but only when the numbers make sense. And there are times in the market, we talk about market cycles a lot. There are times in the market where I don't see deals.

I don't see an environment where I feel comfortable buying at the prices things are trading at. When that is the case. I lend, and it's a great way to keep my money working, to keep a great return with relative comfort and safety and so forth, as I'm sure we'll talk about. That's what I do when I can't buy, is I lend.

Now, if I could be out buying every day, all day, I would love to do that, because that's where my heart is. I'm a deal junkie when the numbers work. If they don't work, I just lend. It's a nice place to just sit back and collect a great return. Until the market offers me another opportunity.

David Phelps: When did you first, if you can recall, did you first make a private loan to a commercial borrower?

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Do you remember about when that was in your building momentum? I know your story going back well over a decade ago and getting involved in on the street in real estate wholesaling and, properties and property management, but when did you first, as an individual make a loan.

Tom Berry: My first one would have been 2014.

Now, I had been buying real estate off and on all my life. I had my first rental property when I was 19 years old. I have been in and out of real estate my entire life, made a business of it from about 2004 on, and then was absolutely full time and have done nothing since. Since about 2007, but it was 2014 that because I was always on the equity side, always on the equity side.

That's again, that's where my heart is. But around 2014, it was harder for us to find the deals that we were able to find. It was harder for me to get those rent to price ratios I was getting when I was buying my single family homes. It was absolutely impossible for me to get the cap rates that I was used to getting when we were buying apartment complexes.

And so I just didn't feel good buying anymore. So I started lending. Honestly, Donald and I, my business partner today, when we started Investor Loan Source, our very first company together, we thought it would just be a temporary thing we would do for a couple of years until the market softened and we could go buy real estate again.

Honestly, it was never meant to do this. We were never meant to do over a billion in loan volume. We were never meant to, now we have 32 entities together. None of that was planned for. We were just trying to keep the money working that we had already accumulated from the equity side.

David Phelps: So I know since you and Donald have built out ILS investor loan source over the years, starting back in 2014, when you first decided you might just do this as a little short term gig and it turned into something more than a gig.

Let's go through the lens. Right now of an individual, we're going to talk about the scalability and what you've done with a fund, which to make it scalable, you've had to add a lot of infrastructure and systems and protocols, which makes sense. As an individual, when you would start to make those loans back in 2014, what was the first criteria that you looked at before you decide to make a particular loan?

What did you look at first?

Tom Berry: We looked at the property. We were asset based lenders. We looked at the property. I didn't even care who the person was. I didn't care who they were, what they were. I was looking at the property. The question we asked ourselves is, if this deal goes bad, would we like to own the property?

If the answer to that question was yes, we did the loan. If the answer to that question was no, we denied the loan. It was really hard back then. It was like a one question process. As we started to get bigger and as we started to lend in other states and so forth, It was no longer an asset based lending only situation.

We then had to start looking at, okay, we don't ever want to own any property. In let's just say Ohio, for example, no offense to Ohio, but we don't want to own property there. So now we have to put things in place that will not guarantee, but certainly more ensure that these loans won't go bad because we don't want the properties.

Does that make sense?

David Phelps: Yeah, let me repeat that back so people get it. When you were doing it locally in your marketplace, Texas, where it's your backyard, you know, you know, all the laws, you know, people, I mean, you've got the whole game there. In that case, you just decided, is this a property we'd like to own or not?

And if it was, we'll do the deal. If it wasn't, we don't do the deal. Makes sense to me because you've got your hands on it, right? Now you're going out, building out and going out into the country and other areas. And you're thinking, well, we don't want to have a portfolio of houses that we gain through collection and foreclosure.

That's not the game you were in at that point. And so by making that change from your goals, that's what changed you from strictly asset based looking at the property only to now we've got to look at the bar because we really want to risk mitigate, we know we can always take the collateral back. You can wholesale it to somebody, but that's just not what you want to do.

So that makes sense. So then if you're asset based and you're doing it in your own backyard, you're not looking up and checking credit scores or FICO or anything like that. What are the safeguards then that a prudent individual lender, person who's going to make the loan, being the bank. So you look at the property.

Once that's been determined that you're okay with the property, and we'll talk maybe a minute or so about loan to values and that sort of thing. What I want to get to next is the protocols that are used. Once you identify the loan you wish to make to the borrower based on a certain asset, that's all identified, the protocols that are done to take that opportunity to closing. In other words, there's documents, right? There's documents have to be executed. The borrower's going to execute a promissory note. That's the contract. The borrower's going to execute a security agreement, whether it's a deed of trust or a mortgage, depends on the state, but that's a security agreement that gets recorded.

Then you want to make sure that your title as a lender is what you expect it to be. If you're in a first position, you want to make sure, well, I'm in a first position, he hasn't, he or she hasn't borrowed money from somebody else. And I, didn't tell me someone else's ahead of me for you and me, whether we're buying equities or lending money, this is a common protocol, but a lot of people don't understand it's nuanced, but there's a team of players called.

Attorney. Called escrow or title companies that basically manage that whole process. Could you speak to that? And do you deviate from that at all today, since you're scaled up and doing a, doing a large fund?

Tom Berry: No, we don't deviate from that. that's one on one. We would never close. A deal without going through an escrow agent or title company, depending on the state and market that we're working in.

And I would say 99 percent of the time that will be a title company. There are certain jurisdictions where attorneys actually sell title insurance. And act as the escrow agent. So in those jurisdictions, obviously we would do it that way because that's the way it's customary in that area. But 90 percent or more would be through a title company.

And I would say if you are private lending, you just must do that. That's one rule. You don't, break that rule because what you're going to get with that is you're going to get a title commitment and then you're going to need to have somebody that is qualified to read that title commitment and then And interpret what it says, but what it should tell you in the end is if there are other liens or encumbrances, it may not even be a lien, it may be an encumbrance to the boundaries of the property.

It could be a lot of different things that are, is in that title commitment. You're going to want to be able to interpret that and make sure that as you said, David, you have the position you think you have with that. The other thing that it provides, we saw a case, it wasn't one of our loans, but it was a loan that a very good friend of ours did with his mother's IRA account, and it was a private loan, went through, got the title insurance and everything, did it through a title company, and it was found out later that same person had done three loans on that property within a day or two of each other, None of the other title companies knew it was different companies. It was right here in Houston and that became what's called a title claim. So, our mutual friend was able to go back to the title company that sold him the title insurance. And again, the name title insurance, it is. It is an insurance product that is governed through the insurance commission in each state.

And he was able to get his money back for his mom's IRA account through a title claim. If you don't use a title company and you don't get title insurance, you don't have that assurance.

David Phelps: So with all the loans that you've done individually and through your ILS funds, has any borrower been able to defraud you by stacking multiple liens on a property and having you be in a position well out from where you thought you were, or? Maybe even create documents secured by collateral that borrower doesn't even own. That ever happen to you?

Tom Berry: Never.

David Phelps: Because if you follow these protocols, it can't. You've got the insurance to back you up. The insurance company is taking the risk. They have their protocols. And yes, occasionally someone like the person you mentioned slid something through.

Well, then they go after him. They take care of that. You don't get stuck with, "Oh, what do I do? How do I have to go sue this guy?" Nope. The company says, here's your money and you move on.

Tom Berry: We're well over 2, 500 loans closed. And we have never had any situation like that where somebody has defrauded us and we or an investor have lost anything.

We catch a lot of fraud though. In our protocols, the biggest fraud that we catch is fraudulent bank statements. We require that a borrower show us their ability to pay, right? Their ability to bring the cash to closing necessary to do this loan, as well as the ability to pay their payments on an ongoing basis.

We want to see a few months of bank statements and so forth, and that is the number one place that we catch fraud is fraudulent bank statements. Our legal director has fun with those when she catches them. Let's just say. She enjoys that.

David Phelps: So looking at bank statements, as you said, is going to provide you with the ability to understand their ability to not only secure the loan, but have the capital to do whatever their project is outlined to do.

That's what you're checking. You don't want to make sure someone just gets in. Everything else is done. Documents are good. Property looks reasonable based on your underwriting. But then they just don't really have the capital to make it go through. And now you're stuck with a borrower where you're going to be okay, but why go through that hassle if you can cut it off, you know, at the beginning and not let that person get through the door to gain that, loan from you in the first place?

Tom Berry: Yeah, exactly. Exactly.

David Phelps: Tom, as the lender, individual or your fund, and you have the borrower who needs the money and you've vetted and underwritten and all the things you do, who pays for all the closing costs and BPO's appraisals or title insurance or recording documents or lawyer to write, draft, who pays for all that?

Tom Berry: Those costs are borne by the borrower. There are certainly internal costs that we have to bear. I have to pay my staff. I can't push that cost out to the borrower. So our staff, our origination staff and our legal staff in house, those folks we pay, but we charge various fees and so forth to kind of even recoup for that.

It's not indicative of just lending, it's indicative of everything in a capitalistic market. The consumer pays. The consumer pays for everything. That's just the way it works. In borrowing, it's even more pronounced than that, and it's even more direct than that. They pay their closing costs, they pay for the title insurance necessary, they pay for an application fee, which pays for our due diligence time and our man hours that we put into it. So those costs are all passed on to the consumer. The borrower, in this case.

David Phelps: So there's no reason for a lender give Any of these protocols just to quote, save money or save time. Is that correct?

Tom Berry: Oh. No, that would be silly. That would be very silly. Even the appraisal we do require in most of our properties.

There are exceptions to every rule obviously, but most of them we're going to require a full blown appraisal. Not just a BPO, but a full blown appraisal. And when we do, that cost is borne again by the borrower. That's really the first cost they're going to feel in doing business with us. Because we're gonna, we're gonna get a quote from the appraiser and know what that's going to cost.

We're going to send them an invoice via email and say, hey, if you want to move forward, this is what you need to do. You need to pay for the appraisal and you need to pay the small application fee that pays us for our time. At that point, when they pay that, then we know that they're serious. And then we know that we can move forward with the underwriting process.

But if they don't want to do those two things, then we're not going to mess with it and push it any further.

David Phelps: And just to follow up on something that I think every one of us as human beings, we can fall into this trap. I know I have, and that is the word trust. We all want to trust people. We want to form relationships with people we can do business with over and over again, because that's the best way the world works is if you have ongoing business that works for everybody.

There comes a time often when well meaning people will use trust as kind of a, like a social lubricant to reduce friction in getting something that both parties want to get done. And again, I'm talking about loans here. What I'm saying is, Somebody might start out using proper protocols, going through title or escrow company, and at some point down the road, the borrower, maybe not with any ill intention at all, but they're just trying to get a deal done.

And Hey, David, Hey, Tom. This is our upteenth deal that we've done and I got to close this thing tomorrow. Could you just go ahead and wire the money and documents to follow? We both know stories about how that's happened.

Tom Berry: I get those requests all the time. But no, we're a business now. We're not small mom and pop anymore.

Back when we were mom and pop, we didn't do things the same way we do today. Prior to us having investors and having funds. We didn't pull credit. We didn't do background checks. We didn't do LexisNexis searches. We didn't do 10 percent of the things that we have in place today. We were just small. We were just doing a few loans a month and we were doing it in our backyard. It was asset based. I didn't really care if they paid us or not. It was just Donald and I. We had no investors. We had no, nobody else's money. We were managing. Hey, if they don't pay us, we'll just take the property and we'll dispose of it. We'll do whatever we need to do. But then once we got to the next level and the next level and the next level, we've always had to add more things and more protocols.

I don't like that, but it's just the way it has to be in order to scale a business and do it the proper way. I wish we could still close a loan in three days like we did back in the day, but we can't. We are not that nimble anymore. We're never going to be that nimble. So the guys that need that, they know they can't come to me or I explain it quickly when they do.

We're just not that nimble. We can close within three days of having the appraisal and the title commitment in hand. That's how quickly we can close. Can't close any quicker than that. And ironically, those two things we don't have control over. Those are third party, outside influences that we have no control over the timing of.

So, when people ask us, how quick can you close? We can close within three days of having the title commitment and the appraisal in hand. That's how quick we can close.

David Phelps: It's a normal process in any kind of business operations. We all start out with something that's relatively small. It's, it's the proximity to the people we do business with is relatively small. And as you said, it's normal to go through multiple iterations. We're always changing. We're always evolving. We're always taking in new information, whether it's information that we're required to do because of regulations compliance, which there's plenty of that out there today. Or we just realize in our own protocols, there's something we could add that will still allow us to do business efficiently, but maybe again, cut the cards, reduce the risk.

And that's what we're always balancing in life. Would you say that's, a true statement?

Tom Berry: Agreed. A lot of the changes for us came with adding new staff to bringing in somebody that has experience and they look at what we're doing and go, why aren't you doing this? And I'm like, that's damn good question. I don't know why we're not doing it, but we certainly could. And we probably should, you know, so we would add that. And, you know, over the course of the years, We weren't professional lenders when we started this thing, but we certainly became that over years of experience. And the other thing that we've always been big at is doing a post mortem.

When something goes wrong, we take the lumps. No investor has ever lost a nickel doing business with me in anything I've done, equity or debt side. I'll take the lumps if I make a mistake. Then I'm also going to turn around and say, what the heck did I do wrong? If anything, you cannot prevent everything.

We live in a society today where we always want to blame. Doesn't matter what happens in life. Everybody wants to blame. I'm not really of that mindset, but I do want to at least study everything I do that goes wrong to say, could I have seen it? Should I have seen it? And what would I have had to have done differently to catch it?

You know, 80 percent of the time, we're going to find someplace where we can improve or tweak, or just be a little bit better. The other 20 percent of the time, it's, you know what, I don't see anything we could have done different. It was just a bad deal, you know, whatever the case may be.

David Phelps: All right, let's finish out with this.

You have many decades in the market. You, as you said, you love equity. You love ownership. I do too. But you also have built a business that in the last 10 years now has really focused a lot on the opportunity to lend money. We just talked about why. How are you looking at the market going forward? I'm not asking you for like for a balance, but I know you're always out there looking, keeping your finger on the pulse of what's coming.

Do you see potentially more opportunities for equities coming up in the near future? You know, we've got the interest rates that are still relatively high. We've got, you know, commercial prices are coming down some, we've got. Possibly a recession. Heck, we've got a big election coming up in just a couple months.

There's a lot of stuff we could throw at the wall and try to come up with what we think. But, my question to you really is how are you sensing the market as we're going forward the next months and quarters?

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Tom Berry: All those things that you just talked about are going to play into what we see next, right?

Every single thing that you mentioned is going to play into it. One thing I kind of disagree with, and we don't disagree often, I don't believe currently interest rates are still high. If we look historically and we look back over the past 50 60 years, right now the 30 year fixed is right at six and a half percent.

That is actually low. The historical average, if we look at it and we take out the Carter years, 1980 and 83 in that range, and we take out the low Obama years, interest rates for the 30 year fixed, typically a run between six and a half and eight and a half, and we're sitting at six and a half right now.

I think we have more of a perception problem when we do an interest rate problem, because people think interest rates are high. They are certainly so much higher than zero, which is where it's been for over a decade. Right now, I was just reading an article today, this quarter we just finished out, where cap rates are starting to compress a little bit.

Commercial property sales year over year and month over month for the first time since 2020 are actually up year over year and month over month and quarter over quarter. So we're seeing an uptick in commercial real estate sales. We're seeing cap rates kind of have peaked. according to the data that we see today, but going forward, can that change?

Maybe is it just leveling out for a minute and now they're going to shoot up further? We don't know. I don't really get into the prognosticating. I don't have a crystal ball. I just look at the data that we have available and I say, can I buy an asset with reasonably long debt? Because I'm never going to buy on variable debt.

And can I make that work? Can I make money on that with current numbers? And if the answer is yes, we buy it. If the answer is no, then we're not going to buy, we'll just lend. And right now we've found three set shopping centers that we were able to make the numbers work on. We're very happy with those.

That is the asset class that I'm focused on. I think that's where the opportunities are going to be, if there are any. And I'm looking for more. I have a couple more in the pipeline, but will they go all the way through? Who knows? But I think. We are going to see interest rates fall a little bit from where they are today.

We might be 25 to 50 basis points lower by the end of the year, in my humble opinion. Is that going to be monumental? No, I think that's already priced in. I think that's priced into the 30 year fixed. I think it's priced into commercial lending and I think it's priced into the buyer market as well. So I don't think that it's going to change a lot, but what I do think has the biggest effect of all the things that you mentioned is the election.

There is so much pent up demand right now. On the buy side, on the sell side, and on the lending side. We are hearing this more than anything else we hear when people pause and don't jump into actually closing a deal, is I want to wait and still the election and see what happens. I think we have never in my adult lifetime And my very first presidential vote was for Ronald Reagan in 84, so that gives away my age.

I don't think in my adult lifetime there has been a more consequential election with such a vastly different choice for The direction of our country and our economy by extension. So I think a whole lot of people believe that same thing. And that is evidenced by everybody sitting on the sidelines saying, we're pretty close to the election, Tom.

Let's just hold off and see what happens.

Jerome Powell: *Labor market has cooled from its formerly overheated state. Inflation has eased to Substantially from a peak of 7 percent to an estimated 2. 2 percent as of August, we're committed to maintaining our economy's strength by supporting maximum employment and returning inflation to our 2 percent goal.*

Today, the Federal Open Market Committee decided to reduce the degree of policy restraint By lowering our policy interest rate by a half percentage point. Our patient approach over the past year has paid dividends. Inflation is now much closer to our objective, and we have gained greater confidence that inflation is moving sustainably toward 2%.

In our summary of economic projections, committee participants generally expect GDP growth to remain solid, the median projection of 2% over the next few years. This recalibration of our policy stance will help maintain the strength of the economy and the labor market and will continue to enable further progress on inflation as we begin the process of moving toward a more neutral stance.

David Phelps: Well, the Federal Reserve just came to the rescue again, or did they? J PAL, the Federal Reserve Chairman and the entire federal group of presidents around the country all made the decision to lower the federal funds rate. That's the Lowest end of the interest rates, the short term rates by 50 basis points, half a percentage point.

Why is that a big deal or potentially not a big deal? Historically, whenever the government, the Federal Reserve believes that we are tipping into a recession in the last decade, decade and a half, the Federal Reserve has notably always come to the rescue by doing what? Lowering interest rates. Where did interest rates go recently?

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Well, because we had massive inflation. The first time we had massive inflation since the 1980s. The Federal Reserve had to raise interest rates. You know what's happened there. Mortgage interest rates go up. Credit card interest rates go up. Auto loan interest go up. Everything goes up and makes the consumer and business borrowing power decline.

Makes it more difficult. The credit markets tie things up and business and investors can't expand. Asset prices come down. Disinflation, right? That was needed to reduce the inflation, but now we have a situation where I believe J Powell and the other Fed chairmen realize that they may be walking into a trap.

Maybe they already have by causing a greater downturn in the economy than they want to. Look, they're trying to balance like a seesaw. And we've got an election coming up in less than two months. And I think there's a lot of a political side to this as well. So even though they tout that they made this interest rate cut because inflation has basically been slaughtered and they feel like they've hit that home run, I don't think that's true.

They're also afraid that the economy is tipping too largely into a recession, but they won't say it. So where are we in terms of what we do with our own investments? We love to be in growth mode. We love it when we can invest in equities. That's businesses. That's real estate. That's the financial market.

Tech stocks, which have gone to the moon in an environment where we've had typically low interest rates, but also the fuel of the Federal Reserve and the government spending trillions of dollars of money that we don't have. That's like a family, your family, living on credit cards and HELOC loans. To bolster your lifestyle and thinking, Hey, it's all good. This feels good until the day of reckoning comes. And for the most part, the US, America has been a superpower for well over a century, many, decades. We have been a superpower because of our ability to be entrepreneurs and a capitalistic markets. We've been great producers. But we've overextended ourselves.

The government has. Our irresponsible politicians have overextended us and continue to do so on steroids today, as if it doesn't matter. At some point, it will matter. And I think that's what the Federal Reserve is afraid of, that they've gone too far. So where do we go with our investments? Again, we love the growth.

We love to be in a market where things are going up, up, because that's what creates more wealth for us. In a market cycle that's turning from a past cycle that was upgrowth, now to a downturn, a recession, a correction, which is the other half of the market cycle, we've got to be more careful.

I believe this is not a time to be in equities in general. Again, you can decide for yourself where you stand, but you've got to be very careful because we're not going to have the same up swing in the marketplace until we go through this correction. I like to be in private credit. What's that mean?

Being the bank, I can be in a position. Where I can lend my money based and supported by strong collateral to borrowers who I get to vet and get a contractual return on my money, certainly into the double digits. It's like buying treasury bonds, which in the U S backed by the government, treasury bonds bills, short term medium term are considered to be risk off because it's backed by the government, but those are returning today, 5 percent and going down, that's okay for the short term.

Okay. But with inflation, I believe still ripping much higher than that, my purchasing power is going down. So, I've got to do better in some regard than 4 or 5%. If I can double that, again, by keeping my risk reduced by being at the bank, by lending money in the private credit sector, my opportunity to stay ahead of inflation but not have the risk of being in equities is greater.

And then when it's time to turn back into equities, I can move that money there. This is an opportunity, I think, for investors to realize that the volatility of the marketplace, which is typically not what we want, but it's a time when we can fill the voids and the gaps of putting our money into places that others can't, if you want to know more about this, stay tuned for this next episode of my podcast, where I'll be sharing some of these insights with you. And I think give you a better look at how you can be a part of advocacy for your money going forward in the volatile and chaotic markets. That we have in front of us.

In the second week of October. I'll be hosting a Freedom Founders member meeting in Plano, just outside of Dallas, Texas, to discuss, strategize, and formulate the next best moves for investors and business owners to steward their capital to safety and grow their wealth within the volatility of the current economic scenario.

The recent federal rate cut may be touted as a good sign of a comeback economy, but this is only short term in my opinion. There's more going on. And if you're not truly prepared, you may find yourself on a sinking ship. I'm offering an opportunity for those serious about protecting their financial future to attend our member event as a guest and discover how we help our members create a plan B blueprint for financial freedom that hedges against.

Against these recessionary environments, these crashes and all the volatility. To see if you qualify, go to freedomfounders.com slash discover to schedule a call with my team and reserve your seat. That's freedomfounders.com slash discover. It's your freedom and I'll see you next time.