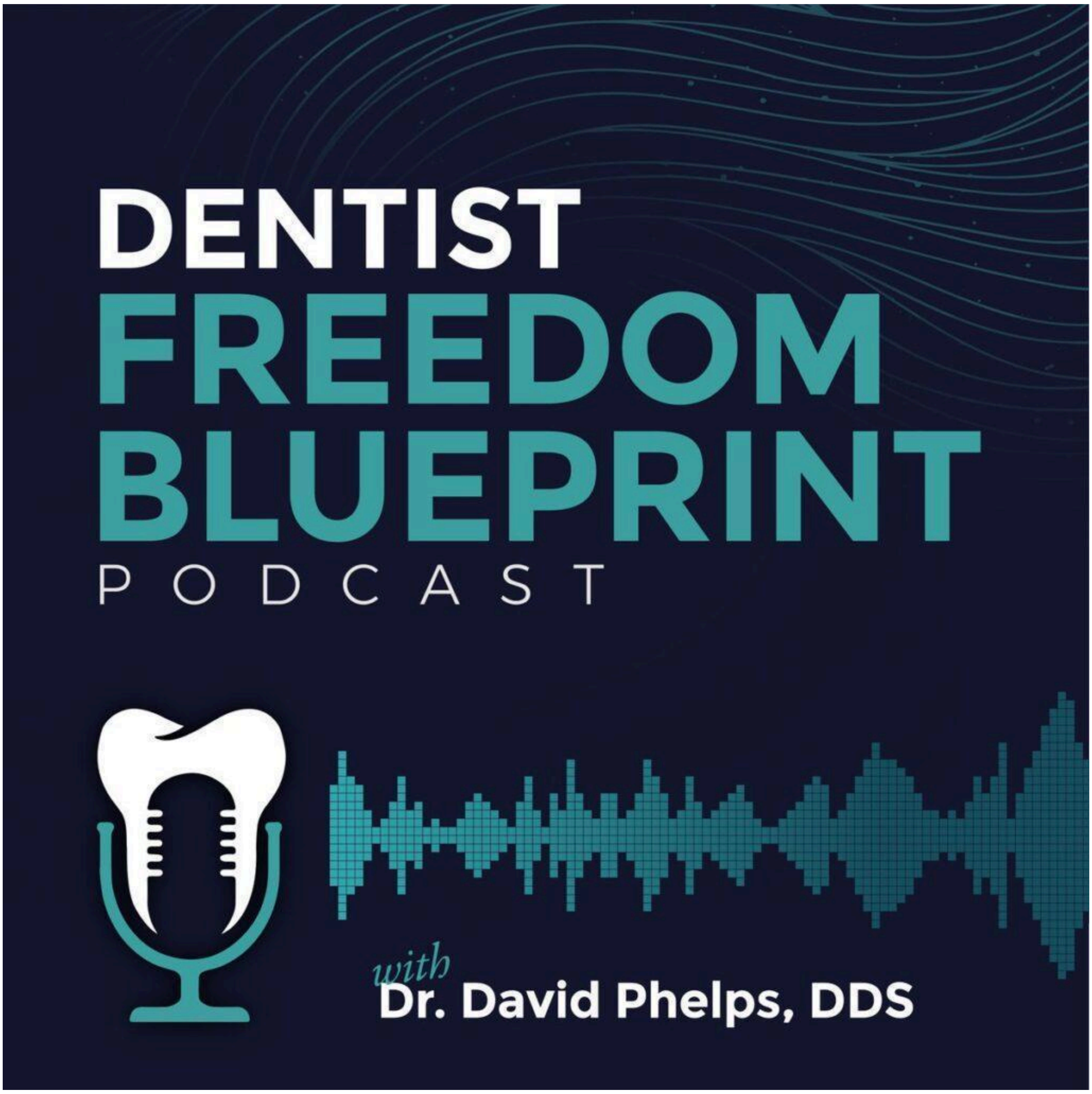
The Fed Rate Cut is a Sign of a Deeper Problem - The Era of Long-Term Investing - Anna Kelley: Ep 504



Full Episode Transcript

With Your Host

Dr. David Phelps

Dentist Freedom Blueprint with Dr. David Phelps

The Fed Rate Cut is a Sign of a Deeper Problem - The Era of Long-Term Investing - Anna Kelley: Ep 504

Anna Kelley: I think the markets are going to be real happy today and tomorrow, but I think in the coming months and the election could make it even worse. I think that things are going to rapidly deteriorate. I hope that I'm wrong, David, but I believe that I'm right based on history and our current real data that is not being actually reported by the Fed and the headline numbers.

“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.’”

Dr. David Phelps: Today, Anna Kelly comes back to the show. If you haven't listened to her previous episodes, I seriously recommend them. She holds a wealth of insight on real estate investing, mitigating risk, reading the market, overcoming limiting beliefs, and sharing what she's learned with the next generation. My team will leave her previous episodes in the show notes for you to enjoy.

Those who don't know Anna, she has been investing in real estate since 1998 and currently holds active ownership of a rental portfolio valued at 300 million dollars. She is also a sought-after speaker, real estate coach, and a four-times Amazon number-one bestselling author. In this episode, we discuss short-term versus long-term effects of the federal funds rate cut, a look at historical evidence as economic indicators of what's to come, the impact on consumers versus investors, and deep wisdom on how younger generations can make better financial decisions and invest for a better future. Ladies and gentlemen, here is Anna Kelley.

Today is kind of a fun day and I'm actually going to go ahead and peg the date because I think it's relevant for all of us. It's September 18th and why is that relevant to some of us? We were just talking about the fact that Jerome Powell, Fed Chairman, just had the FOMC meeting about an hour and a half ago.

And for a lot of people watching the economy and the markets and real estate and everything and banking, I've been watching and saying, what's he going to do? We knew he was going to reduce rate cuts to some extent, but it was 25 basis points, 50. I think Elizabeth Warren even was pushing for 75. So we had the whole spectrum there.

We'll just tell the audience if they missed it or not sure what's going on here. They landed right in the middle. I kind of like goalie locks, just right. I guess they're saying just right. 50 basis points. So reducing the interest rate, the federal funds rate, which is the short-term rate, just so people understand what we're talking about here, which ran up from what March of 2022 ran up all the way to 5.25. In other words, 500 basis points, 500 x percent raise in like 18 months, which has never been done before. I mean, we've always had fluctuating rates by the Fed. But there was a massive raise because we were fighting for the first time in 40 years of this massive inflation, right?

Just going back in time, we had this inflation, and the federal reserve and Powell were like, “We can't have that.” One of our mandates is we've got to keep inflation down. So historically the way they do it is they take the big hammer out and they go, okay, interest rates, bam, bam, bam. And they did, they patted away.

The talk has been from Fed pundits and Powell and administration is like, “Looks like we got this thing handled. We're going to this soft landing. It's going to be good. Trust us. We've done this before. Crashed a few times in the past, but we got this one, right?” It's interesting that they went with 50 basis points because I think in the past, and correct me if I'm wrong, because you studied this very, very deeply, but the last time in recent history, or I mean, going back some decades, 50 basis point cut by the federal reserve has only been done in times where we really were in a definitive crisis like 2001.com and the last one, 2007, the great financial crisis where, okay, everybody gets to read the tea leaves. Like these things are crashing. right? And we've got to do something. We've been told like, “Things are pretty good.” Right? And the market's at all-time highs. And we know it's not all good, but read the tea leaves. What were you betting on? If you had to bet, what were you thinking?

Anna Kelley: Full disclosure, I don't believe the economy is as strong as Powell continues to say it is, just like he did today. I've been watching the data very, very closely, and I believe that we have already been in recession by many, many standards, which we can talk about if you want me to elaborate.

It hasn't technically been declared, but there are a lot of recessionary indicators, historic recessionary indicators that have been very, very accurate at predicting recession, which basically have been cross-telling us recessions here, or it's going to happen precipitously very, very quickly. And so, with that said, I believe that Powell should have come out and cut 50 basis points today.

And I've said that for a while. I also said I don't think they would come out with any higher than 25, exactly to your point, because you're exactly right. Only two times in recent history have they actually come out with that big of a cut. Usually, as soon as they start cutting, it's 25 bips. It's done to kind of say, “Yeah, there's some softening. We're not behind the eight ball, so we're just going to come out and start slow.” It's only been when we've had those two basic small crises is one bit, which became great, the great financial crisis, that they were brave enough to say, we have no choice, but to cut 50. The other reason I thought they would do 25 is because even though the markets were hoping for 50, I thought 25 is kind of coming out and saying, “We see some softening, we're a little concerned.” 50 says, “We see some softening and we're really concerned, even though we're not going to say that.”

And 75, which Warren and also Grant Cardone were calling for. I said that would be like self-fulfilling prophecy, march us off the cliff and put us into panic, job market layoffs and those types of things. So 50 surprised me that they actually did it, but I think it was the right move considering how much softening there really is in the labor markets that they still don't want to admit. And the fact that the economy is not nearly as strong as they want to admit and will say publicly.

Dr. David Phelps: I love that take. And I think it's a very valid perspective. Well, we also have, amongst many variables, we have an election coming up in less than two months. So I know that the Federal Reserve is supposed to be apolitical, but come on, right?

There's probably something there too. And I'm not going to try to pin the tail on the donkey with Powell and say who he's for, what he's trying to do. I'm not going to say that at all. It's just, we have to have some conjecture that there's always something political going on. So I'll leave that alone unless you want to weigh into that. You don't need to, but if you want to go ahead.

Anna Kelley: Sure. I'll weigh into something. I think this is pretty safe to say. I don't remember who it was that gave this number. I think it was either Steve Hanke or maybe Tom Honig who was a former FDIC president and was also a voting member of the FOMC during the Great Financial Crisis.

I think it was Honig that said there are 735 or 785 government economists, right? And of them, it's one to 50 Republican to Democrat. And those democratic economists are also modern monetary theorists rather than Keynesian, you know, our traditional views of the economy with money supply and net national savings and GDI and those types of things.

So even though they're all supposed to not have political bias, if we're all really honest with ourselves, when we make decisions or when we view the world and how things should go, we do have biases, I think the economists are no exception. Just given the fact that it is 50 to one Democrat versus Republican that are the economists and their modern monetary theory bent, I would think that it would be in their favor to cut deeper and faster pre-election than it would otherwise.

That's not to accuse them of being biased, but I think if we're honest with ourselves, it gives us a little more questioning whether there really is such a thing as a non-biased decision before an election.

Dr. David Phelps: So, Anna, let's put this in perspective. Because, again, in all the circles we run, and I think it's certainly valid at some point, everybody's been waiting, waiting, waiting, waiting for this date and see what they're going to do, right? So now we know, but let's put it in a bigger perspective of being a long-term investor, which is what we are, what you are, what many of the people that we talk to, or you coach or mentor, or people that you do collaborative syndications with, we tend to be long term investors even though the previous months, quarters, years leading up this out of the GFC have been a lot of exuberance and a lot of equity turns and velocity of money. And you kind of take what the market gives you, right? I'm not saying that's bad. I think you, you certainly have been through enough market cycles.

You know what I'm talking about is you can certainly jump onto those bandwagons, but I think stepping off at the right time and you would agree that we're certainly, well, for the most part back to more fundamental operational efficiency in investing in the quick turns and the quick flips and the kind of things that we've been riding with cheap capital. Those days are probably behind us. So what I'm saying to you is all this pressure has been put on everybody waiting, waiting, waiting for today.

Well, what does that really mean to us as long-term investors? What is the 50 basis point cut today? And probably some more through the end of this year, maybe in the next year. I mean, that's what they're predicting. Who does that help? And let's talk about short-term versus long-term also because there's that perspective. Short term, they can kick the can on the road and do a lot of things that feels good.

And the market goes up and maybe your real estate equities will, we'll get a little lift here in some areas. And you can say, well, in some cases for some people, that's really good. But also we got to look at long term generational, our generation, next generations, what's happening there. I threw a lot at you there, so pick it apart and run with it.

Anna Kelley: So I think there's three things that you hit on there. One is what happened in the past couple of years. Was it normal? Should we expect it again? One is what do I think is going to happen in the short term? And then one is the longer term. So to your point, I completely agree with you that this is a time for long-term fundamental investing.

And what we saw especially post-COVID was this fear of this great collapse followed by unprecedented quantitative easing, easy fiscal and monetary policy were both the Fed that controls interest rates and the government that controls policy, you know, giving us checks in our bank account every single week.

The Fed Rate Cut is a Sign of a Deeper Problem - The Era of Long-Term Investing - Anna Kelley: Ep 504

Upping unemployment benefits, paying people to stay home, all those kind of things create significant money supply into the system, which creates inflation, but also asset inflation. And what I think we saw was a combination of two things. A traditional economic cycle does have peaks and troughs, and we were in the longest expansion period in history since Abraham Lincoln was in office.

And so that's a really long time where an expansion, it's kind of like that axiom, a rising tide lifts all ships. When you're in an expansion, especially an expansion fueled by low interest rates, and we had unprecedented, very long, low interest rates after the great financial crisis to kind of stimulate the economy after that crisis, then it was exponential after the COVID stimulus. So when you have an expansion and you throw money into the system, money's always going to chase yield. And the bad thing about low interest rates is it makes that risk-free right of return as a U.S. treasury really, really low.

And so every financial institution, every individual investor is just simply saying with their money, "What can I do to get a greater yield than the paltry yield on the treasury? And what is going to have the least amount of risk to do that?" So all assets were going up that traditionally would create a greater yield than the treasury, but things, like we're in, right, real estate syndications, allowed us this very unique opportunity to go in at extremely low interest rates that we could lock for a while and then take advantage of those asset values being pushed up in the very short term.

So that is pretty typical of any expansion. As it's nearing the peak, you start to get this irrational exuberance. Everyone thinks that it's different this time. It's great. We're not going to peak and we're not going to bottom. So they just keep operating as if things are never going to change. Then you add that stimulus and it just, it really allows you while you see rents going up and the economy going up and values going up, it allows you to get in and get out and do short-term investing. The problem is created when it's different this time starts to show that it's not and that level of inflation starts to really bear down on the economy and when rates started to go up as they always do because monetary policy, the Fed always at a peak says we got to cool things down, cool down the inflation. We're going to now raise rates. And as soon as you do that, it's like a very quick, sudden reversal of not only interest rates. But the ability to get loans on the deals that prices have gone up, it makes those values start to fall. So as treasuries go up, as the Fed funds rate goes up, as interest rates go up to finance, you just cannot support higher values.

And so that means we have already hit a peak and we're contracting. That's very, very clear, regardless of your outlook as to will we or won't we have a recession, we're in a contraction. And what that means historically, at least in all the research that I've done in my background in private banking and working with institutional investments and with real estate for a couple of decades now is when you're in a contracting economy, the falling tide brings down all ships, values tend to continue to fall for a while.

The Fed Rate Cut is a Sign of a Deeper Problem - The Era of Long-Term Investing - Anna Kelley: Ep 504

And therefore any short-term investment that's relying upon increased asset values or appreciation or growth, if you will, is not going to be as easy as it was during an expansion. And instead of all these tailwinds rising the ship, you've now got all these headwinds pushing against you that's going to make it very difficult to produce higher asset values when the underlying economic conditions are working against you.

So that's where we are. And that's really the reason why, David, these short-term investments, chasing yield, turning, you know, your IRR and churning every two to three years simply cannot happen as easily or as wisely or with as little risk as it did during the expansion. So, because I believe we're in a contraction, I do not believe we have bottomed yet.

I think the recession is baked in, and I would be shocked if it were not. I think that values have further to fall, which makes investing in value add deals, whether you're commercial or residential, much more risky. And you've got to have the perspective that if you go in because here's the great thing about bottoms is it's huge opportunity for us if we're brave enough to go in and we understand that the cycle eventually, the recession will be over.

It'll take two to three years to recover. Historically, that's the average after recession. And then you have another expansion. So you've got to at least broaden your time horizon to say, “Rather than expecting for me to get in and out or my syndicator to get out in and out in two to three years, I've got to expect we probably have at least 10 months of a recession if the average is what we experienced today, plus two to three years of a recovery.”

That's at least four years before we're even back to a little bit of growth. So my personal time horizon with that perspective and that historic information that tends to rhyme going into the future, I'm not looking to invest in anything, that I'm not willing to hold seven to 10 years because it's usually a couple years after you're through the recovery period that might be three or four years out before you really start to have asset values go up again.

So I think this is a time in history, David, where we really need to think like the institutional investors do instead of the small investor that thinks that a couple years is enough and we need to say, “We're playing for the long term.” We need to buy stable assets that are now going to instead of seeking that high appreciation.

Most of us, our number one financial goal over the next couple of years should be asset preservation in a falling economy and then income where we can get it. And then the appreciation is kind of the gravy on the top that we shouldn't expect to be able to materialize on and capitalize on for probably seven to ten years.

So that's my view and my time horizon is that it's going to take some time. And I expect that because of some weakening in the entire global economy, and credit that hasn't even tightened yet that we could have a very flat decade over the next 10 years and it not bounce back as quickly as many people hope that it will.

Dr. David Phelps: A little bit like the stagflation they had in the late sixties and the seventies.

Anna Kelley: Yes. And Jamie Dimon's been saying the same thing, Ray Dalio, Jeremy Grantham, a lot of very, very experienced, at least 70 to 80-year-old men who have invested wisely through many of these periods, including the 70s and 80s.

They're warning of these things and they believe that it's probably their base case. And I've learned enough to know that the older and wiser I get, the more I don't know what could happen, but we learned that history rhymes, and barring seeing something on the horizon, that's a major shift, a major boost in GDP that we don't see. Something like tech or healthcare, which is kind of where everybody's been pinning their hopes for growth over the next couple of years unless it's a major shift and there's something to really start to re-spark GDP, there's just not a lot of prospects for significant growth over the next decade.

And there are a lot of prospects for things that could be very inflationary and pull down growth as well. And so I think we just have to look at these things and say, “What's the worst thing that can happen? How do I mitigate that while also not being afraid to run in?” Because when you can run into the times that seems scary, if they get scarier, that's where real long-term generational wealth is made is to identify and recognize the risks and say, “Okay, now what can I buy that's going to give me the best chance to do really well when other people are afraid and even if the economy starts to stagnate, that doesn't mean that I personally need my wealth and income to stagnate. I can find those pockets of opportunity. And then just learn to mitigate the risk well.” And if things are better than our not-so-rosy perspective, then David, that means we're going to do that much better. And there's going to be a lot of cherries on the top or icing on the cake, whatever you want to say.

Dr. David Phelps: Well, I think this is why we and people we associate with love the inefficiencies of the real estate market because you can find those pockets of opportunity.

Anna Kelley: Yes.

Dr. David Phelps: It takes work. It takes access. It takes relationships. It takes network. It takes a lot of aspects to do that, but it is the opportunity because the market as a whole leaves a lot of voids that the retail markets, institutional banks, and financing doesn't even touch.

I mean, we like work below the waterline, right? Where they're not even playing. And so it's, it is a huge opportunity. I'm curious to know what you think about the psychology of the markets. And what I mean by that is there's a lot of people, and I'm not saying you were cheering for 50 basis points.

You were just expecting it, but there's a lot of people that are like cheering it and thinking, “All right, well, we got more gas to fuel the flames of, again, the exuberance of the equities market on a financial side and real estate. It can pump back up and we can get back to it.” Do you sense that there is a cohort of people that feel that way that probably aren't as nearly studied as you are in this area and are just banking on, “Well, we're going to get back to it again, the shrouds are off and let's go.”

What's the danger there? And again, what can we, as more, maybe more studious investors, watch for? Do you think we're going to see a ramp-up short term in the markets in general, equities?

Anna Kelley: Absolutely. Absolutely. Because, again, the markets kind of baked in the 50 basis points and hoped that by the end of the year, we'd have a percent cut.

And Powell basically came out today and said, “We're cutting 50 and we expect to cut another 50 by the end of the year, probably two more quarter points.” And so they basically served up on the platter what the markets have been hoping for. But usually what happens is you get this quick uptick of excitement and then all of a sudden they start to realize, “Wait a second. The Fed has only cut 50 basis points twice in the past.” And it meant that they saw something worse coming and something worse did come. So the hope is always, I think many investors, including those in the stock market, invest on what I call hopium, right? I hope, I hope, I hope. And so if they get what they hope, it allows that hopium and that irrational exuberance to continue for a while until they all say around this time, it's different this time. If you look at 2009 and the great, you know, when Lehman and AIG, et cetera, started to fall, really the recession started in 2007, but even in early 2008, I mean, I took big loans in 2007. I listened to all those, “It's different this time,” voices.

And even in early 2008, all AIG and everybody was like, “Well, it's a minor recession, maybe, but it's different this time. We're great.” Right? And then suddenly it wasn't suddenly everything started to fall. And then the panic sets in and historically what happens? And again, we have to be careful with history because every financial cycle is different as to what starts to spark it and then what really lights the flame into a real contraction manifesting itself into a recession or bottom.

But history rhymes, and historically what happens is as soon as the Fed cuts rates, first I will say this, right before a rate cut, historically unemployment has been at its lowest ever because employment is a lagging indicator. So when the economy starts to soften, employment's like the last thing to start to be hit.

Well, we've already seen employment start to tick down, unemployment start to tick up, and in fact, go into historical recessionary territory based on the rate of change of the unemployment rate going up. And so by the time that you have a Fed rate cut, usually the employment is at its lowest, and then suddenly employment starts to really tick up. The markets get over their exuberance. They realize the economy is softer than they thought. The job layoffs start and then the markets tend to fall. And historically, unemployment falls after the Fed rate cut or employment falls, unemployment goes up and the markets fall, the stock market, 30 percent after the first rate cut.

So if we continue to repeat that cycle, I think we're in for big corrections in the stock market. One, the stock market, the market cap is 200% of GDP. It was about 109 before the start of the dot com in the 2009 financial crisis. And so our PE ratios are already based upon really positive irrational exuberance and hopium for the next 10 years to be as profitable just like it was before so I think there's further to fall potentially for the markets.

I think that we're going to see Some softenings in the market. Also the yield curve, just after Powell's speech, it started to de-invert, but now it's de-inverting at its widest since it's been de-inverted. And that is usually a sign that as soon as it de-inverses, the recession is here and it's about to get worse.

And so I think that you're going to see that materialize. I think the market's going to remain hopeful until it's very clear evidence that it's not, but they might be spooked by this 50 points, you know, good news. Good news is good news. Bad news is bad news. But when bad news starts to become good news, it quickly reverses.

And I think the markets are going to be real happy today and tomorrow, but I think in the coming months and the election could make it even worse. I think that things are going to rapidly deteriorate. I hope that I'm wrong, David, but I believe that I'm right based on history and our current real data that is not being actually reported by the Fed and the headline numbers.

Dr. David Phelps: I tend to really follow your thinking, and I would say I would bet with you on that. As you said, I wish it wouldn't be so, but I think that's where we are. Let's touch a little bit for a moment on consumers, whether they are patients, clients, tenants. What 68, 70% of our GDP gross domestic product is based on the ability for people to buy the things and services that they want or need.

We have this bifurcated economy, K-shaped, right? This way for over a decade, as you talked about fiscal and monetary policy has been the benefit of those who hold assets, businesses, real estate, financial products that have gone up and up, and the middle class in below unfortunately don't really have the assets.

And so they're working hard paycheck to grind out a living and support their families. They get little or no benefit. Yeah, maybe some wage pressure up, but then you have the cost of living that is, I think, is way above what the government says it is. So the real hurt is there. We have 50 basis points down today.

The Fed Rate Cut is a Sign of a Deeper Problem - The Era of Long-Term Investing - Anna Kelley: Ep 504

We have expected another 50 down by the end of the year. What's that do for our consumers and tenants? Is it going to help them much? Where do they fall?

Anna Kelley: Yeah, I don't think it helps them much at all, David. The only thing that it's really going to help is in the immediate term is short-term interest rates.

People think that the rates come down a percent so my 30-year fixed mortgage is going to come down a percent. And the reality is that the Fed funds rate really impacts the shorter part of the curve, so the shorter interest rates. The credit card rates now may actually start to come down as long as you don't have a recession.

So there's two components. One is what's the Fed funds rate? What does that do to your short-term borrowing rates? Like prime, for example, a lot of short-term rates are based upon the prime rate and the primary usually comes down pretty well in lockstep. So it's probably going to come down about 50 basis points.

Let's say a percent by the end of the year if the Fed continues on that path. So then you've got a credit spread. And so it's like, okay, let's take the prime. And if you're an excellent buyer, you might get a loan, a short-term loan at prime plus zero or prime plus one. If you're a credit card, it might be prime plus 17%, right?

And so those credit card rates are going to fall, but not precipitously because there's still risk in credit cards. Then if you have a recession, David, I think even if the Fed funds rate falls, those short-term rates fall in lockstep, your spread, your credit spread for the risk may actually go up if we have a recession because we are already seeing massive credit card defaults max credit cards for many, many consumers. And so if they've already maxed out their credit cards and the most recent statistic I saw a couple of weeks ago was 70% of the population is living check to check, 50% has 500 dollars saved. That's it. So the only way these rates really help them is if they can qualify for some kind of short-term loan or line of credit, it's going to be cheaper, right?

If they have the house to refinance, those longer-term interest rates are not coming down much. So those that are homeowners may not see a big decline in that 30-year mortgage interest rate for a while. And if they're locked in at sub 4%, as I think about 80% of homeowners are, they're not going to see rates come back that low for a long time, if ever, unless we have a deep recession that causes the Fed to cut rates.

But again, that doesn't necessarily impact long-term rates. So I think, unfortunately, for the average consumer, this doesn't do much. What it does is for investors like us who have debt that we need to refinance. It gives us hope and that's where the hope is. Corporations that have kind of kicked their loans, gotten them extended another year or two, and hoping that rates are going to fall.

The Fed Rate Cut is a Sign of a Deeper Problem - The Era of Long-Term Investing - Anna Kelley: Ep 504

As an investor who has some loans that are going to come up for rate reset in the next year or two, I'm like hallelujah, but yet be careful what you wish for, right? It's going to allow me to lock in that low-rate debt because most of our commercial loans are only locked in for five years. So we get more of an immediate benefit.

Once again, benefiting the asset holders without really having a big impact on those that are lower to middle class. And unfortunately, if unemployment starts to tick up and we have a recession, credit will get even tighter. So even if interest rates would have come down just like with credit cards, your credit spreads, that premium for risk may actually go up for the average homeowner or someone that wants a car loan and they might get a lower loan devalue than they would have gotten today.

So the rates coming down If they are accurately a leading indicator of what the Fed sees coming and that is softening or a recession, credit might get even harder for those that do not already have assets and a really strong income and savings instead of better.

Dr. David Phelps: There's always interesting times that we have to look at.

I'm just a believer like you are that we as individuals, business owners, investors, wanting to become more sophisticated investors, wherever we like to plant our flag. I'm not advocating for any one place. We like real estate. That's what we're talking about. But I think it's a time when all of us have to step out and become more deeply acquainted with the markets and what all is happening there, no matter where you invest and for your respective businesses as well.

And I think also, and I know you're a big believer in this because I know something about your family and your kids, but giving this same acumen to our kids, the generations that are coming up, I think is so important today because the old models, whatever we thought believed in would work, the prudent man's rule of save money and put it in a savings account.

Not going to cut it. Our forefathers, our grandparents would roll in the grave if they saw the things that are happening today, right? I mean, we just have to accept that it's not prudent man's world anymore. It's different. What's your quick color on that? And then we'll close off with that.

Anna Kelley: I agree a hundred percent. I grew up very poor. I grew up in Section 8 housing and we did a show once before where I kind of give more of my story, but I really knew nothing about money. All I knew was if I get the best grades possible and I get a college degree, then I will make enough money that I can take care of myself.

And then I was sold the whole, I went into private banking right out of college. And so I was sold the whole work ‘til you're 65, invest in for your company match, eventually, you'll make a million dollars and you'll live on 4% and you'll be happy. Well, even 25 years ago, David, I thought that's $40,000 a year and that's less than I made. At that time, I made about $60,000 a year out of college and private banking plus bonuses. And I thought I'm single and I'm living check to check because I didn't know about budgeting and all of that stuff, right? I was advising people on what to do with their money, but I really didn't have a good personal budget, which was unfortunate.

But I even then thought that is not a very good plan. And it wasn't until I really started working with very ultra-high net worth investors and their advisors that I started to see how wealthy people think and what all they're invested in and the types of investments they make for preservation and for growth and for income.

And so if I hadn't had that exposure, I don't think I would have done as well as I have. And then it was that understanding that going through 2001 and the fall of Enron and the fall of MCI WorldCom and the 2008 Great Recession and losing my job, and most of my 401k that I realized, wait a second, the stock market is okay as long as you don't need to get out when it's falling and these big failures and these big dips can wipe out years and years of gain. It's what made me really start to think about, wow, I've been investing in real estate for but my values and my real estate aren't going down. People always need a place to live.

They're still paying me good rent. And if you're in good quality areas with good schools and low crime and good jobs, your real estate is going to do pretty well because you're providing essential needs. And it's what made me decide I really cannot trust a big corporate career for my livelihood, right?

Most of my 401k that I had saved was wiped out. I was losing my job at AIG. I can't trust in this small business. My husband was a chiropractor just starting his business. And we had six-figure debt to do that when the economy's not doing well. So I need to be able to take control, steward the business, hold on to my job, but I need to take control of my own personal economy and figure out how to create income that didn't rely on me, but that I had some control over. And so the GFC is what really opened my eyes. And it was a lot of painful lessons I learned in there from mistakes of not understanding the economy and all the things that could go wrong.

And it would be so terrible and tragic for me not to share those lessons with my children so that they could understand without going through it. Yes, I'm going to support you getting your college education. Yes, I'm going to support you working in whatever career you're passionate about, but you have to understand how to read economies, how to save, how to invest, to your point, savings when interest rates are low punish the savers and it only rewards those that are investors. And so those little lessons of when to go into debt and when not to what type of debt to lock in and what type not to, and taking control of your personal economy because the jobs could change. The market could change. Look at office. Who would have thought a pandemic would come in and make offices almost not needed and values crash 40%?

No one can see those things, but the lessons that history changes, assets change. What people want and prioritize and will spend money on changes. So you've got to be diversified and you've got to take control of your personal economy I think is critical as well as teaching them not to depend on the government to save them.

Right? Because we have a society that is dependent on, for example, social security and Medicare always being there. Their 401k always going up in value. And unfortunately, those things are going to get harder and harder to have happen. And I think one of the most important things for me today is to educate not only my investors and the reasons we do these kinds of shows, I know you have the same heart, to help other people make better financial decisions that can literally change their lives and their family's future. But it's to pour into that next generation. And my kids, of course, I talked to them all the time about do what you do, but you have to protect and plan for your future today and not leave it up to chance and the stock market and the government. You got to take control of your own personal economy. So it's near and dear to my heart.

And I think it's more important now than ever, because it doesn't matter how much I pass on to my children, and it's going to be a lot at some point if they can't steward it wisely and be good people while they do it and then grow it for their next generation and their next generation and do it wisely, then everything I've worked for really is for naught.

Dr. David Phelps: As Anna discussed what she feels is the important aspect of giving our next generation the resources, the education, the mindset to go forward in life, I was thinking to myself how lucky I was.

And maybe luck is not the right word for it. Maybe fortunate because I was always curious. But at an early age, I found other mentors, people who had a great deal of knowledge about the world, about economics, about finance, about human psychology. And in my exploration of that curiosity, I found my way into real estate.

Now, it could have been into anything else. The key point I'm making is, as a young person, the compound effect of the things that we learn in life, not just formal education, which has a place, no doubt about it, but I'm talking about real-life experience, real-life insights from people, mentors, guides, who have already gone down the path ahead of us.

Those people sowed so much into my life over the years in many different respects that I can't even begin to thank them all for what they did for me. Now, as mentees, as young people, one has to step up and ask for that help, to be proactive, to ask the right questions, not to be afraid to ask questions, and to realize that there are ways to expedite your future and not make great missteps, not following the herd mentality, the group think that everybody thinks is the safe place to be because safety and security do not go hand in hand.

In fact, they are an oxymoron. You can't have security. You can't have freedom if you rely on safety and security to promote your life going forward. The other aspect of seeking freedom and financial independence as early in life as possible is having a real reason why. Why one wants that? And I think that reason why is going to change throughout life.

When we're young, I think we want to have independence. We want to create a life for ourselves, not dependent upon other people, not dependent upon our family, not dependent upon government assistance. We want to be able to be autonomous. And to do that, we have to take skill set and education and go forward in the world and solve problems, typically by trading time for dollars.

And there's nothing wrong with that. As we elevate through life, we get to a point where we start to think about other people. We may have a family. So we have children, we have a spouse. We may have other obligations or responsibilities to other people, such as a team, a staff, to a community, to a church, to other people that we care for.

And as we get further down our lifespan, we often turn from being inwardly focused, that is seeking to make ourselves the best, to be protective and supportive of other people, to actually looking outward and saying, “Now that I've reached a certain pinnacle in life, what's most important to me now?” And usually for people at that point in life, it's about giving back and serving more, and thinking outwardly about the gifts that we have received in our own lives and how we can pay those forward.

These are the aspects of freedom that I believe are important. And I think every young person has the opportunity to build their freedom path and do it intentionally by finding the right people that will help them do just that. As the election approaches, it becomes clear that we cannot depend on the government or rely solely on the advice of advisors who have a clear bias towards where we invest.

Now is the time to be aware of your finances, seek to mitigate risk in all investments, and prepare for the opportunities to come. You can do this yourself, of course, but I prefer to be with a community of mentors, peers, and boots-on-the-ground experts who know what they're doing and can expedite the process of education, due diligence, and building your customized blueprint to financial freedom.

I protect and grow my wealth like anybody else, but all in the service of my freedom and my time. If you'd like to do the same, now is your chance to see how we've helped hundreds of practitioners and business owners work towards more secure and reliable passive income streams in order to give them back their time for what matters most to them.

Go to freedomfounders.com/discover to schedule a call with my team and see if you'd be a fit for the Freedom Founders community. That's freedomfounders.com/discover. It's your freedom. You must take charge of it.