Becoming a Better Investor: What to Pay Attention to and What to Ignore

Russ Morgan: Ep #534

Russ Morgan:

We are giving our money to the federal government and they're saying, I don't need the money right now, but in the future I will need it. And at that point then I'll just be able to figure out how much I need and then I can back into how much I need to charge you to get to the amount of money I need. Would you ever go cash that check? Of course you would. Nor would you go to a bank to get a loan for your mortgage or for your business and they put a TBD where the interest rate is. You would not sign that loan document. But people all over the country are doing that with IRAs and 4 0 1 ks and they've never thought about the fact of what their deferred tax to decades ago.

Dr. David Phelps:

I hustled to grow my dental practice and real estate Empire Society patted me on the back and every new deal and patient reinforced the success they said I had. Then my daughter Jenna was diagnosed with leukemia nine years, several intense chemo treatments and years of epileptic seizures. My daughter was given one more miracle, a life-saving liver transplant in that hospital. I realized I wasn't successful. I had money, I had real estate assets and a business. But the only thing that mattered was time with my daughter In that hospital room, I decided to sell my business, leave active income and sustain my lifestyle with my real estate assets. Now Jenna is healthy and all grown up and me. I am teaching others to do what I did and I continue to uncover the principles, strategies and lessons we can apply in business and investing to create ultimate freedom for what matters most to each of us. Welcome to the Freedom Founders podcast.

Today we discussed the tools you need to escape the Wall Street hamster wheel. I sat down with Russ Morgan, co-founder and host of the Wealth Without Wall Street Podcast, a financial educator and a recovering Wall Street insider. Russ shares his powerful journey from a certified financial planner to real estate investor reveals why traditional financial planning often leads to frustration, not freedom. Expect to hear the limits of financial advisors, your investor, DNA, and how it determines what investments you are best suited for. Why rental real estate isn't for everybody. And I'll second that. I know that as a fact why 4 0 1 Ks are the worst financial tool for your freedom. I'll also second that for those people who are entrepreneurs and capitalists, how to access more cash and leverage through infinite banking and much more if you want true financial freedom without waiting until retirement age. And if you're ready to take control of your money, this episode is your roadmap. Please welcome Mr. Russ Morgan.

Russ, great to have you on today. We had a really marvelous conversation with you and Joey a few weeks ago and I really enjoyed getting to know a little bit more about you and really your pathway to a lot of what we have in common. Our philosophy about wealth without Wall Street, and again, I'm, I'm here to demean Wall Street. I think there's a place for wide diverse asset allocation, but I think we come from a similar background that too many people unfortunately default to one arena and that is Wall Street. And they think even there, they think they're diversifying among stock bonds, mutual funds, ETFs, so whatever they might be doing, and you and I and others really know that there's a much broader place to go and particularly Russ where we are in the overall market cycle with all of the dynamism that we have today.

Anybody who has not been asleep at the wheel knows that the markets even the last few days are very, very tumultuous right now to say the least. And so learning how to navigate one's capital, speaking to entrepreneurs, business owners who put a ton of work and effort into creating something of value to the marketplace. And we get to a point where at some point we save money and then we want to start to invest it to be good investors and too many of our friends and colleagues in the entrepreneurial space, I think default to financial advisory services to be the end all. So with that big overview, I still want to go back and talk about your evolution to where you are today with your company. Let's go there. What's the storyline? I think people want to know what that looks like.

Russ Morgan:

Yeah. Well you said you didn't want to beat up on Wall Street. I'm happy to.

Dr. David Phelps:

I'm going to let you do it because I have friends there and I try to be, but yes, this is your opportunity to say whatever you want about, I'm quite open, so have at

Russ Morgan:

It. Well, I think I have the insider view that allows me to kind of talk about both sides. I did. I started as an investment advisor. David, we talked about this before, but for those who've never had a chance to hear me speak, I was a certified financial planner and I got all of these designations, learned all of this stuff in a rising market and thought I was an expert until I realized I wasn't. And that's when the market had crashed in late 2008 and I was there palms to this guy trying to figure out what had happened. All the mentors and advisors that I had looked up to for the previous four and a half years had no idea, had no idea why the market had dropped 40% overnight. What was more concerning to me is that they didn't know what would prevent it from happening again. And they didn't have answers and that just didn't sit well with me. As entrepreneurs, we tend to want to control our own faith. That's the reason why we do what we do.

And I was kind of wanting to go and take control back and I didn't know what that was going to look like. I went to a conference in January of 2009. It was a conference I'd go to every January and had for the previous four or five years, and I heard this man speaking on a stage and he was talking about this concept of becoming your own banker. He was a 70 something year old economist at the time, and it seemed to be the dumbest idea I'd ever heard. But then maybe the most brilliant thing. At the same time, I was just in that mood where everything else I'd learned up to that point was proved wrong. So I went down the rabbit trail and that led me to reading his book, realizing that he lived in my city, which was Birmingham, Alabama. And I got to spend about 10 years with him until he passed away in his late eighties.

And through that I learned what was the biggest obstacle keeping entrepreneurs and financial people from being financially free. And I also learned what I needed to be better at. And that was to become a better investor. And it wasn't allocating and ab advocating that responsibility to somebody else. I needed to be responsible. And it didn't matter if I was going to invest passively in syndications or whatever. I needed to know what to do and how to do it and how to check up with what I expected. And along the way, it led my business partner and I to join forces and we started sharing our history with the world through podcast and started sharing our own personal passive income report. Last year, I think we reported on a little $50,000 a month in passive income through all the things that we're doing. And so our goal is not to be thought leaders, but to be result leaders and just help other people who want to become financially free, get there faster.

Dr. David Phelps:

You said something interesting is that 2008, all the people in your inner circle were greatly surprised about a market correction of that size. And we're trying to look for answers as to how this happened, where did it happen? And I think that really starts a conversation a little bit about the fact that we know that historically, and I'm trying to remember over the last a hundred years, I think there's been like 16 designated recessions if I've got the numbers. We know inherently historically that we go through periods of bull markets and then some kind of correction regular cycles. So it happens. The one we're in right now has been extended for various reasons, but I think maybe we're at the tipping point. I've been saying that for quite a while, so people don't listen to me anymore. David, you've been saying that for years. Yeah, I actually have, but

Russ Morgan:

Eventually you'll be right. It's like a

Dr. David Phelps:

Clock, right? I'll be right. We have been due. We are due and maybe we're here. But that being said, I think what you're saying is that there aren't many investors, even business owners, entrepreneurs, most people just abdicate to the financial markets and say just here's my 401k tax defer, put it away and stack it up. And the accumulation theory, you'll have it for me, they haven't gone through a full cycle as investors and neither have their advisors and particularly not even a market cycle. But if we go back to the stag inflation era of the late sixties through the early 1980s when the markets were flat, but we had high inflation stagflation, no growth, it took back-to-back recessions to pound down inflation, which was running rampant that period of time. Well, are we kind of back to the same thing? Maybe not for this exact same reasons where we're in that place, we can talk a little bit about that. I wanted to really talk a little bit too about what you see in terms of the mindset shift that's required for people who want to be more in control of their capital going from what we know is passive investing to more active investing. What would you say to that? How do you put that in your words in terms of how you see the world today in terms of an investment standpoint?

Russ Morgan:

I always start with the why, right? I mean I think Simon Sinek made that book famous and that phrase famous start with why If what you're getting isn't what you want, then doing what you've been doing probably isn't the thing to do next. So I always start with that. If what's working for you right now, why would you stop it? Don't change. The reason why our companies have plenty of people is because people have been frustrated that even when we've been in this bull market for the last almost 15 years, people don't feel any more successful. They don't feel any freer. They feel still burdened by the need to go and continuously burn the candle at both ends and their businesses because they don't feel like if they stepped away that they could actually be truly financially free. And it's because their advisors, as you said, have a vested interest in keeping them working and keeping them investing in markets that they pay fees on.

I mean, the people in the investment advisory office I was in were most disappointed in the fact their fees just went down 30 and 40%, but the fees still came. But yet for those people who lost all the money, they weren't bringing in any money from that. They may have lost jobs and they were trying to figure out what to do. And I think that that's an awakening someone has is that when somebody understands that financial freedom is truly when you have more passive income, money coming in that you don't have to actively go to work for, then you have monthly expenses that gives you a lot of ability to do things. And I don't believe in the word retirement. My mentor Nelson Nash, he lived and worked until he was in his late eighties, and he would often say, I read the Bible inside and out cover to cover multiple times and never seen the word retirement anywhere. We're called to be in service.

I think we create the greatest service when we are not burdened by financial thoughts. And so what I think is people who want to get to where they can actually serve well and may not be in the jobs or careers they're in now, maybe they start new ones, is when they have that passive income grade of month expenses. So that's where people say, okay, how do I do that? And there's a process. I mean, Robert Kiyosaki says, no good or bad investments, just good or bad investors. Most people are never been taught to be a good investor and the mistakes they make early on and when they decide they want to start investing, they just see a deal, do a deal. And that's bad, right? I mean, I know most of the people listening to this podcast and physicians and dentists and they know that they couldn't have worked on the first patient that they saw before they were ever trained.

They needed to have watched. They needed to have seen others do it well, and they need to do that too. And it takes a little time, but it's not something that you can't do. Obviously you've gone through 16 years of schooling, most people and are listening to this and are highly educated, but just have never been taught how to do that. So I think that's the mindset shift is that if you're not happy at where you're at, then maybe there's an alternative. And what is that? And that's what I think you and I talk about a lot.

Dr. David Phelps:

Here's my special request of you, my avid and loyal and faithful listeners. Out of the thousands of listeners

I've had in 2024, less than 10% of you are subscribed to the podcast. That means 90% of you are listening to my podcast and yet you're not subscribed. Why not? Well, it's just because you haven't taken the time to do it. I know I get busy to the same thing and I fail to subscribe to the content that I like. So if you enjoyed or found my content helpful, clicking the subscribe or follow button right now will help the algorithms push my content to more people who can find it just as valuable. Plus, if you are a subscriber, you ensure you won't miss any of my content or updates as soon as they come out. I'm personally excited about the upcoming guests books and projects that I'm working on and sincerely don't want you to miss out on any of them. So hit that subscribe button, stay tuned for more. Now, back to our conversation. So let's take that mindset we're speaking about and turn that into investor DNA. How would you define investor DNA? What does that look like for people who want to take more control of their financial future?

Russ Morgan:

Yeah, people ask us all the time, Russ, you guys have 50,000 a month of passive income one, how did you do that? And secondly, should I just invest in those same things that you have listed? And I say, well, no, because you and I are going to have different ways that we see the world, different resources as well as different networks. So investor DNA was something that Joey and I stumbled upon. The first investment I ever made, David was in a single family property in my college town. And it was because I had a buddy of mine, it was very successful. He owned lots of real estate and I thought, oh, I just want to be like him, right? I just don't need to reinvent the wheel. I just follow what's already working. So I bought this first property and immediately something felt wrong and I was like, this just didn't seem as interesting and as exciting as I thought it was.

And what I learned over time is that I'm one who likes to be hands-on. I like to be involved, I like to build things. That's the reason I have more LLCs than most people have shirts or pants or shoes. I collect businesses and I start businesses, I sell businesses. But in that process, I realized that I like to be involved and I wouldn't have been able to tell you at that point in time, my investor DNA was different than this very passive investment, which was owning a piece of property in a city that I didn't live in, that I couldn't influence this outcome. But that's what ultimately came to us is I realized that every single one of us are designed a certain way. And so we use some personality assessments that help us understand who you are, how God built you. And then we go through and we've created this passive income matrix of 15 to 20 different ways that you can invest.

And we overlay your profile on top of that and what it spits out, it says, out of all these things, here's what you will see as pros for all of these things. Here's what you'll see as cons to all these things. And then here are the key factors and resources you need to know about. And so what it does, it takes the person who is now thinking of investing on their own, being out there, not necessarily just abdicating it to an advisor and picking whatever the greatest latest mutual fund is. Okay, well if I have an investor, DNA, here's the world, but I can get paralyzed by the options by doing this, it narrows it down to a couple of different ones that they can start going deep in. And when I did that, I realized that man, my DNA to be involved, like to influence. And so I started building businesses around investments that's allowed us to really scale it to a level where it's meaningful, where it's truly financially free.

Dr. David Phelps:

So your first investment was a rental property, but it was out of state managed by management company.

Russ Morgan:

It was managed by a management company. It was not something like I thought, oh, I went to that college, I had like 20 something nieces and nephews. I thought, of course they'll just start going down there. I'll just own this property for 20 something years. They'll all stay there, I'll charge 'em the highest rent, all this stuff. Well, one kid out of all those 20 ever went to my college and it was long after I'd sold it by the way. And I owned that property for, I dunno, 13, 14 years, earned a modest return, but it really didn't fulfill me. And I was like, if this is how I feel about one, why would I want a hundred? And by the way, I'm not saying that rental property is bad, what I'm saying it was bad for me. It was not my investor DNA. And so when you understand that, then you can figure out what is your DNA and it'll allow you to one, have more enjoyment in it, but also you'll invest more in it, which will give you greater results.

Dr. David Phelps:

So I'm, I'm just smiling as we're talking. I totally understand what you're saying. I'm smiling because I'm thinking, Russ, you should have shown up when I had my relatively extensive rental portfolio in my backyard, so to speak. Now if you want to get hands-on, really want to get involved, Russ, I can show you that model, but I'm not saying that you should. In fact, I tell people that when I was in my younger years, that was a great model for me, as you said, my DNA, it was a great model for me to build off of today where I'm in my life, my career, my age, which just means I value my time more. That's all it means. I value my time more. And two of the people I talk to are those who don't want to go start something like that, like a rental portfolio times better used in their business.

But you're right, there's many people that read the books as I did back then, and for me as a young person, rental real estate was a great way to go. But is it right for everybody? No, to your point, you have to take that profile, understand where your best focus should be, and that's where I try to do the same thing. So we're on the same page, but I just wanted to smile and let you know if you want to get more involved in rental real estate, I can show you how, but I'm not recommending it.

Russ Morgan:

I'm going to put a little caveat in this because sometimes when people hear that, if I don't tell them the second part, they don't realize how lazy I am. I'm ambitiously lazy, okay? So I am not saying that I want to put my hands on and do things.

Dr. David Phelps:

Oh, I'm sorry, I thought you

Russ Morgan:

Wanted

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Dr. David Phelps:

Toilet on the weekend.

Russ Morgan:

No, I want to be involved. I mean, have from a little kid have found people to do stuff for me. If I ever had a gift, it was to be able to figure out how to get other people to do things for me.

Dr. David Phelps:

But that's a great gift because I think too many of us are very much our controllers. We've been taught to control everything. If it has to be done, you've got to do it. And offloading, delegating, outsourcing areas of our life or business is something that's like we're really afraid to do that. So if you've got that gift, my friend, that's a big part of your success. So you can probably be teaching that. You probably do.

Russ Morgan:

I try my best. Well, so I'll give you an example of what that looked like. So my business partner had a long-term rental here in our town, and we had interviewed several people on our podcast talking about short-term rentals, and this is back in 2019 I guess. And he had this property that the lease was coming up January or February of the next year. And I said, why don't we test out the short-term rental business? And he said, man, Russ, I don't know about you, but I don't want to be answering questions on Airbnb on the weekend. I was like, oh, I'm not going to do that. He said, well, what are we going to do? I was like, dude, we're going to build a business

And a business means that we need to hire people who can do the job and can do it well. And he's like, well, that means we got to put a bunch of money in it. I said, yeah, but it just means we're going to invest a bunch of money in it. And so what we did is that we hired an operator for that business and we scaled it from zero units to 26 units over a period of 18 months, and we're cashflowing 20 to 25,000 a month after paying everybody on the team. I can tell you honestly, I've never ever answered an Airbnb question, dropped off a towel or toilet paper. I've never done any of those things. But what did I do? I thought of the business model. I observed what was possible. I hired the right person, used skill sets that I used to hire people in all of our businesses.

I got them training by the world-class people in that industry. I didn't expect to get results overnight. I knew that it was going to take time. So we were willing to invest in it. We were able to scale it because we knew we had to in order to get it to where it was profitable. And I met with and trained that manager on a weekly basis. I spent about an hour a week spending time with them, helping them think, and then I used my network. I could influence, I could go on my Instagram or my Facebook or inside of our masterminds and I could say, Hey, if you're in Birmingham and you're staying or somebody, would you mind sharing this wakeup in birmingham.com site? So it allowed me to scratch the itch of being involved and being able to influence but not put my hands on, not actually have to do the hard work. I don't want to do that. We've built numbers of businesses just like that have been super successful with putting the right people in place just like a doctor does by hiring an associate dentist and allowing them to do the thing and making income off of them building a business around their business.

Dr. David Phelps:

Another topic that we've talked about is the fact that being debt-free or having debt freedom is not the same as financial freedom. Is that a little bit of a shout out to Dave Ramsey? Give us some context there.

Russ Morgan:

I definitely can get the keyboard warriors fired up. I start talking about Dave Ramsey. Okay, we've got a video that's been watched 50,000 times or whatever because I said Dave Ramsey was wrong, but here's a couple things. One, do what Dave Ramsey does, not what he says. So what does Dave Ramsey, how has he built his wealth is by owning real estate, by building a business and he's super successful. The most efficient way to grow your wealth is by own an operating company. And who's done that at a scale that we all would admire and have hope to attain. But debt freedom, it is catchy, right? People love results. And if you're a dentist and you want to help somebody, you say, Hey, I can help you have pearly white teeth. That's a result. They come to you and they want to have that done.

If you're a physician and you can help them lose 15 pounds over the next 30 days by giving 'em ozempic or whatever, that's a result. That's what they want. Dave Ramsey gives people a result. I can show you how to be debt free people like that result, but debt freedom will not make you financially free because you can't pay off lifestyle. Financial freedom is not when you don't have any debts. It's when you have more passive income than you have monthly expenses. So paying off all my debts would reduce my expenses, but not to zero. And unfortunately, what happens is people who follow that approach spend more of their time, especially their time when they're probably at their highest cognitive abilities trying to pay off all the debts. And so then they get 'em paid off and they go, okay, I'm not financially free. I've got to learn how to become an investor.

Well, now they've burned 20 years to get to that point or whatever time to get to that point, and now they're having to learn how to become an investor, and they've given up the compounding interest of what learning how to become an investor actually can do for you, right? I think that that's why we are such advocates of teaching people that yes, when you have a dollar, you need to decide what is this dollar going to do? Is it going to produce a passive income or is it going to reduce a monthly expense? And if it doesn't do either, you probably shouldn't do it if your goal is to become financially free. But then as you start to learn how to become an investor, now you're starting to make a decision. Do I go buy an asset that produces a passive income or do I go pay off a debt that reduces a monthly expense?

And you start to realize that typically that you can out earn what the interest rates are, the banks and the financial institutions are charging you for those debts. And so then you start to say, well, what if I could get those assets earning streams of income that are paying me monthly that can pay the note plus some, and now I have other people paying for my lifestyle and my liabilities, and this is not a new idea obviously to me, but this is how we believe and we teach this. It's a little bit harder. It takes a little more work. It's not as simple as just snowball your debt, but at the same time, if you truly want financial freedom, this is what I see people doing who then can have generational impacts. Because unfortunately, another problem I see in the get out of debt world, it creates a mindset of scarcity.

And there's this idea that I used to observe when I was a financial advisor is that people would retire and then they would then start to worry about running out of money. They spent their whole life just saving every dollar they could, minimizing their expenses, and they get to retirement and they've developed that habit. You don't all of a sudden take 30 or 40 years of a habit and change. They don't all of a sudden just travel the world and spend all their money. That's not what happens when you've created this scarcity mindset for so many years. You don't change. I want to impact generations. My mentor talked about thinking 70 years down the road, he was a forester and he would be teaching tree farmers. What's going to happen 50 and 60 and 70 years down the road and average tree farmer were in their sixties. And that's the way I think about what we should be doing with our money is that the things that my parents couldn't have taught me because they weren't taught themselves. I want to teach my kids, I want to impact their lives. I want to impact my grandchildren's life and so forth and so on. I'm not going to be here, but you think the Rockefeller family is impacted by what happened and what was done hundreds of years ago. Of course.

Dr. David Phelps:

I want to go to two other topics here before we end, and one is going to be from your financial advisory background, wealth Without Wall Street, which is your book by the way, and we'll put all the links in the show notes. But I want to talk a little bit about the 401k model. I call it the accumulation model, and then we're also going to get to infinite banking. That also plays off of a little bit of the arbitrage that we were just talking about in terms of not having any debt or that kind of thing. So let's go to 4 0 1 Ks first. What would you like to tell our audience about 4 0 1 Ks because you lived in that world for a while and how do you see it today?

Russ Morgan:

Yeah, I think it may be the absolute worst tool out there. I'll be so bold to say it may be the worst financial tool on the market. If

Your goals become financially free, if your goal is to accumulate money over a long period of time and have some consistent way in which you save, it may be great for you. When people challenge me and say, Russ, why would you say it's the worst financial tool on the market? And I asked them the question, well, let me ask you. Can your 401k create a passive income stream for you tomorrow? And they say, well, no. I'm 45 years old. I can't get it out until I'm 59 and a half or longer if I'm employed at a company. Oh, okay, well, can it reduce a monthly expense for you? And said, well, no Rus actually, I'm putting money into it. And I said, well then is it getting you closer to or further from financial freedom if that's passive income greater than monthly expense is what financial freedom is.

They go, well, never thought about it that way. I guess it's getting me further away, but I do get a match, right? If they're working in a group, and most people listen to this aren't working in a group, but if they're working in a group and maybe somebody's batching, I say, okay, but does it create a passive income for you? They said, no. I said, does it reduce a monthly expense for you? No. Okay, so is it getting you closer to or for the front? They go, well, crap, they go, but I earned 12% last five years in it. Okay, did it produce a passive income stream for you? Did it reduce a multi expense for you? No. Well, is it getting you closer to or further from? And they say, man, I never thought about that and I just don't know about you. If financial freedom is the goal that I have, you can't buy me by getting me to postpone it by putting money in it, because every dollar that I put in any place that doesn't either create a passive income or reduce a monthly expense is keeping me further away from getting to what I want.

I think that these are great tools for financial advisors, right? They earn fees on them. They're great tools for the companies that you give money to for years upon years, upon years. They need your capital. They're never going to tell you to stop. They're great tools for the government. They do two things. They defer taxes, and here's the most important part. Listen closely, lean in on this one. They defer the tax calculation. So if I were to tell you, David, Hey, I know that you said that you need a loan for me, if I have my checkbook out, you're going to want to know two things. Those whose things are, what's the interest rate and when do you have to pay it back? Just pretend this is the example. We're giving our money to the federal government and they're saying, Hey, I don't need the money right now.

Now that's kind of laughable, but I don't need the money right now, but in the future I will need it. And at that point then I'll just be able to figure out how much I need and then I can back into how much I need to charge you to get to the amount of money I need. Would you ever go cash that check? Of course you would. Nor would you go to a bank to get a loan for your mortgage or for your business and they put a TBD where the interest rate is. You would not sign that loan document, but people all over the country are doing that with IRAs and 4 0 1 ks and they've never thought about the fact of what they're deferring tax to. But even worse than that is the fact that they don't produce a passive income and they don't reduce a monthly expense. I mean, you asked about infinite banking. This would lead me into this, is that what I found out early on is what keeps people from becoming financially free is lack of access to cash. They've put all their money in things that they can't touch, and we always have heard opportunities find what cash?

Well, if you don't have access to cash, where do those opportunities go? Somewhere else? Somewhere else. So now when people are trying to figure out, why do I not do that? Well, what do I do? I have to redirect those dollars. That's where infinite banking came in to play in my life.

Dr. David Phelps:

It's a terrific concept and I love the way that you really help discern for your clients this investment create passive income or does it decrease my expenses? It's a great lens to look through, and you're right, the 401k tax deferred program is one that has really been well marketed by Wall Street, let's put it that way. I see very, very wise people with a lot of wisdom in other areas that just believe that's the cat's meow, and yet how many generations can you find that have really been able to, again, using the word we don't like, but retire off of a 4K? I haven't seen one yet. And back to your earlier point, what do you learn

About how to make your money work for you with your own investor, DNA? If you just abdicate it to Wall Street, you learn nothing, zero nada. And that's again, what I see so many times, Russ is those who are ready rather than retire, let's just say stop the active income, the trading time for dollars. It's their time, right? They're going to want to whatever their next is, and now they have some bolus of capital. Could be from selling the business, could be from something in the 401k, and maybe they're of the age of distribution at that point, and yet once again, they're saying, well, what do I do with it now? Well, my advisor says I need to flip the 60 40 to a 40 60. I'm going, is that going to do it for you? That's when the thinking really starts to hit them, right?

They haven't thought of that because they've been good at making money all these years, so they never had to really think about it. But once you turn off that spigot or you want to turn off that spigot and then you say, well, what do I have? And nobody has any experience or knowledge, and it's becomes a real dilemma for people, which shouldn't be the case when you put so much time and effort into a skillset that's served people with products or business services, and yet you can't really live a life that you aspire to live because you didn't plan accordingly.

Russ Morgan:

Yeah. I saw this, and I don't know if we've talked about this yet, but my wife was a dentist.

Dr. David Phelps:

Yes. You said,

Russ Morgan:

Yes. My brother-in-law is an orthopedic surgeon. My other brother-in-law was emergency room vet, and I see the education that's taught to them is to get them out of school, right? To get them to be excellent at their jobs and business management and investment management is taught on your own, and a lot of times you're overwhelmed by trying to pay off hundreds of thousands of dollars in student loan debt and you don't have time to learn these things, and I totally get it. That's why I say it's not your fault. The cards of it's stacked to against you. You're not in a bad way. Whoa is you. You've made your choices. It's probably doing really well, but it comes down to, okay, what else is there? How do I change it? And the key is that regardless of where you are in this age bracket, is that, do you want it to change everybody?

When I talked to 'em about any of these concepts, they go, man, I wish I had known that 20 years ago, 30 years ago, 40 years ago, right? Well, the next best time is today. But also they think about, man, if I would've known this, all the things this would've done to impact the lives in our family, I go, okay, but is today still good enough? Can you start making changes today that will impact generations? Can you do things now? And I see people get super excited that this becomes their thing. This is the thing, yeah, I'm stepping away from my practice maybe because I was hired enough doctors where they're doing it for me and now I have some time or I've sold my practice and what am I going to do and doing nothing does not equal anything. They say, okay, I'm going to build an investment business for myself.

I'm going to manage it. I'm going to be you're your own family office and you're the captain of it. If you don't have somebody else doing it for you, well, okay, well, are you learning how to be a CEO of that and teaching yourself and learning these things and being willing to fail? School unfortunately is not a great teacher because it's all about perfection, but as we know and invested, there's very few perfectionists, meaning that we make mistakes and we have to learn from those mistakes. We don't want to make detrimental mistakes that take all our money away, but we make mistakes and being okay with that. I mean, all of these things are things that I've, and trying to instill in all of those doctors and dentists that I mentored over the years that it's okay to make mistakes. It's okay to not know all the answers, but it's not okay to just sit back and just let it happen to you because that's not how you run your business. It's not how you run your life when you think through this a little differently,

Dr. David Phelps:

Differently. Russ Morgan, great conversation today. I really have enjoyed the time we've been together and just learning more about what you enjoy have done about Wall Street. We'll put all the links to resources, website, et cetera that you provided us in the show notes so people can grab those. Your philosophy is right on line with mine, and I'm a huge believer in people taking a more active interest at a minimum. You can't just let other people do it for you because everybody's incentivized. Use some discernment in making your decisions.

Russ Morgan:

Thank you for having me on. I know you're doing an amazing thing for your group, and if I could be a support resource, if you're listening to this and you're trying to figure out what some of these things are, as David said, we built just so many free things. You can go to what's Wall street.com/freedom founders, and there's so many free tools on there. You can figure out what all that infinite banking and passive income operating system and investor, DNA, all those things we just resource have to resource after the resource to allow you to get more info and just try to support you on your journey.

Dr. David Phelps:

Fantastic. Russ, thank you so much.

Russ Morgan:

Thank you, David, for having me.

Dr. David Phelps:

With respect to what's currently happening in the markets, the number one principle that investors need to be aware of when it comes to preserving wealth and prioritizing their financial freedom today, I would say that discipline, that behavior is one word. It's patience. I'll say it again, it's patience, and that's a hard thing to do because most of us are hard driven, hard driving action takers. We want to make things happen. That's how we've ruled our life. Take action, ask questions later, and for the most part, that's a good model to take, but right now the market is cycling in a way that really hasn't been seen for many, many years, at least 15 years. We could even go back past the great financial crisis of 2000 8, 9, 10. We can go back to 1980 when we had the higher interest rates in 40 years of downturn in interest rates.

We've had the tailwinds a very anomalous period of time. Historically, to be an investor or to be a capitalist, to be an entrepreneur, patience is really required today because everything is breaking down. Everything is changing dramatically right now, and the ability to forecast even the best economists, the best people would have difficulty saying that they have a real handle on what's happening. Higher ground is something that I think most people should understand today, where to put capital and to take it, take chips off the table, keep more liquidity today than you have before and just be patient hard to do, but I promise it will serve you well if you fall. This one principle I'm often asked David, what is a first step for business owners to dip their toe into the world of passive income investing? Well, we can talk about passive income investing, which by default is usually what people do with Wall Street.

Part of the podcast today was Why Wall Street doesn't work for most people, but I'll say that if you're just getting started out, especially if you are younger in life and you don't have a lot of time to become educated about other types of investments outside of Wall Street, then Wall Street could be a very good place to get started because discipline and the compound effect over time is probably the most important of everything. However, I believe that a broader diversification is necessary beyond Wall Street, and that is into the world of alternative investments. Alternative investments would include asset classes. Great, traditionally like real estate, real estate equities, real estate credit, but could go into commodities, could be go into energy, could go into precious metals, many other sectors that we consider tangible hard assets. I would tell people who want to learn how to invest passively in alternatives to piggyback and put some money with somebody else that knows what they're doing, and I'm not talking about funds or syndications.

I'm talking about one-off individual investments. Maybe there's somebody who really understands art collection or numan or gold and silver. Put some money in with them and learn what they know and see if that's something you might want to do. Take small steps. You can invest money as a lender to commercial borrowers. If you know somebody who does a really good job with real estate on small projects, one to four family type projects, you could be a lender, be the bank. Very safe ways to get started. I helped a number of people, my colleagues in my realm learn how to do that some 15, 16 years ago by picking back on my deals, and they got safe returns and learned what they want to learn about how the model works, but they didn't have to be active in it. That would be the way to do it is piggyback with people that small deals at first to learn what you like to learn, what works for you to see if you have an interest in going further often.

I'm going to ask this question, David, how do you recommend that parents introduce wealth concepts to their children? Do you ask them questions? Do you provide book studies for them? How about direct conversations? I'll add a fourth one. How about having them apprentice with people in your realm of influence that are also business owners and entrepreneurs that would take them on maybe after school part-time and also teach 'em principles, but early in life? Yes. When your kids are really directly on your influence, I think having conversations basically to have them understand that there's no free lunch in life, you may have all the ability in the world to create a great lifestyle for them, but don't just give them things. Make them understand there's a price to be paid. Make them earn some money, even a portion of what they would need to acquire something beyond their necessities.

Make them do the work you can contribute, but make them always pay some price. Have some skin in the game in every decision that they make beyond you providing the basics of life necessities, yes, book studies at the right age. Cashflow games like Kiyosaki's, cashflow, game, direct conversations as they get a little bit older are great. And then, as I said, the apprentice model, having them work with other people, intern apprentice for people that you know that could give them some basic knowledge because at some point kids think they're smarter than we are. We went through the same thing in our lives where we thought we were smarter than our parents. So have other outside influence that you believe will give them the right constructs. The right philosophy and ability to discern the marketplace would be where I would go with my kids today at different points in their lifetime.

Speaker 3:

European markets opened way down this morning, a 16 month low. As Trump's tariffs starts to bite, we're seeing a mass sell off of shares as fears grow about a global recession.

Speaker 4:

It was the second straight day of dramatic losses on Wall Street, a sea of red for the Dow, which fell more than 2000 points on Friday or five and a half percent. Remember Thursday it fell more than 1600 points. One big factor is China that announced Friday, it would impose 34% retaliatory tariff on American goods in response to President Trump's tariff plan. We have not seen stocks have these big losses over a two day period since the beginning of Covid.

Speaker 5:

While uncertainty remains elevated, it is now becoming clear that tariff increases will be significantly larger than expected, and the same is likely to be true of the economic effects, which will include higher inflation and slower growth. The size and duration of these effects remains uncertain.

Speaker 6:

How are you feeling about the markets right now?

Speaker 5:

Not great,

Speaker 6:

Anxious,

Speaker 5:

Optimistic, worried, terrified.

Speaker 6:

It's not too clear what's going to happen in the future, in the near future, long-term future.

Russ Morgan:

Yeah, there's obviously a lot of uncertainty now. Business and politics are even more transparently aligned.

Speaker 6:

We have to understand that there's a lot of implications and all these implications are certainly in the short term, are not good for the economy.

Becoming a Better Investor: What to Pay Attention to and What to Ignore

Russ Morgan: Ep #534

Dr. David Phelps:

Trump's announcement of tariffs has heavily affected the markets. For those who are also rather strongly invested in Wall Street, this can be a very painful time right now. It's not a time to be reactive or disillusioned. The truth is the stock market is not under your control, nor mine. No one can guarantee when it will rise or when it will fall. You can however, control your own actions. Keep your money near your own hands, whether in your business or on higher ground. Higher ground, such as treasuries, cash, cash equivalents, precious metals. This higher ground will permit you to safeguard your investments while giving you a higher vantage point. To see the opportunities that emerge in the following quarters and years, those seeking immediate safeguarding and guiding principles to weather the financial storms ahead. I lay out more in-depth frameworks to protect your capital and financial future. In my book, building Your Financial Arc. You can get your free copy@financialarcbook.com. I'll say it again. You can get your free copy@financialarcbook.com and for those seeking a more in-depth analysis and customizable blueprint for their investments according to their needs and freedoms, you could always schedule a call with my team. We'll help you by pointing you in the right direction of whatever you need to do next. For clarity and your future freedom, you can schedule your call at freedom founders.com/discover. That's freedom founders.com/discover.