Your Money with David Hays – July 11, 2024

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David Hays: Hey everyone, welcome to the big show post 4 July weekend. I hope everyone had a great time. Man, Saturday was fabulous at my house. We had perfect weather, outstanding band, Cody Ikert and the Sidewinders. We had wonderful fireworks, wonderful crowd, wonderful food truck, and uno maas was there, probably 300 plus, in attendance. At least neighborhood was alive and well. And man, it's been, it was awesome. Just, it was absolutely awesome. So I hope you had as fun filled fourth as I did, and the people that came to my place did, because it was a blast. All right, we're gonna have a great show today. I've got all kinds of stuff to talk about today. I always have a lot to talk about, but today maybe more than I normally have to talk about. We're gonna get right on just a second, because the CPI numbers came out today and for June and it was a little bit surprising. We're going to talk to him about that. I'm also going to be talking about investing through index funds is more popular than ever. So why has it become so controversial? I've been talking on this topic for quite some time and then later in the program as well. In 2025, I think it was 2025, I spoke at the Harvard Faculty Club on the retirement crisis in America and how to fix it. Nine years later, us state USA Today put an article out on the retirement savings crisis in America. So we're going to be talking that and more. So it's going to be a fun one. Let's do a little news from last week brought to you, of course, by Lance like in the like law group, give yourself in the family the peace of mind that comes with proper estate planning. Call my buddy Lancet like Law group 812-323-8300 and Dirk Bland and Nikki bland over Kenny Bland Auctions. They are your full service auction service. They offer the pre planning the sale of your estate or real estate. Visit them. Just make it, make it a habit. Visit them online@kennyblandauctions.com.

Stocks steadily advanced over the holiday week thanks to strength in tech issues

Alright, let's talk about last week first. Stocks kind of steadily advanced over the holiday week thanks to strength in the mega cap tech issues and encouraging job data. S and P Nasdaq, they were all up. We had dow up just a modest. .66% ADP's employment report on Wednesday showed private sector employers added 150,000 jobs in June, slightly slower than the pace in May, adding to hopes, that a slowing economy might prompt the Fed to adjust short term rates earlier, as early as September. But we'll see. The Nasdaq S and P hit their 23rd and 33 record close, respectively, for the year. Friday's morning job report from the Labor Department showed 206,000 jobs were added last month, which also suggested a strong but cooling economy. News of slower job growth, slowing wage growth, and a slight uptick in unemployment helped drive down treasury yields. And that's important, right, for all of us that want to borrow money for things. And stocks finished the short week with a really strong rally. Again, the Nasdaq and S and P both closed their all time highs on Friday. Let's see, what did the ten year close at here? It looks like two or 428. So it continues to go down. So driving much of this job growth in last week's report was a post pandemic catch up effect. They call it sectors such as healthcare, leisure, hospitality. They all showed they're still recovering some. The private sector job data and the labor department report painted a similar picture of an economy creating jobs, but a slower pace than in the past. So this week we had Fed Chairman Powell speak on Tuesday, we had not a lot of stuff on Wednesday. But then today, Thursday, consumer price index, jobless claims, and another couple people talking from the Fed. And then tomorrow we'll have wholesale inflation. That's on Friday. So we're going to take a quick break. When we come back, we're going to talk to, Rod, because prices appeared to have fallen in June for the first time since the start of the pandemic. So it's crazy that we're actually starting to see this work, and I tell you, it's. Things are slow, man. I mean, I have friends in furniture, cars, those particular slow. you know, my son who's over at Royal on the east side said, hey, come on over. The deals are there to be had. And he's, he's digging it. But some long days when not a lot of people are walking through the doors and I hear that from not just them, but also many, many other people that I stay in touch with. you know, a lot of things are slowing down, so we could get back. We'll get Rod's opinion of that and more. This is your money with David Hays.

David Hays: Rod Holloway joins me on the phone to discuss economic news

Welcome back, everyone. Your, my name is David Hays. Hot Rod Holloway joins me on the phone, of course, contributor to glass in the afternoon on both Monday and big show Friday. And we've had a couple times where he hasn't been on just simply because Glass wasn't here, but here he is now with me. Gonna talk, a lot with what's been going on. So, Rod, before you came in, I talked about how Fed chairman Powell spoke on Tuesday. We didn't have a lot of stuff on Wednesday, but today, on Thursday, we had some jobs reports. We had the big thing that we, everyone's always waiting on, the CPI report. Tell us what we learned from what we've heard this week.

Rod Holloway: Yeah, so, so far, the CPI report came in month over month. Negative 0.1%. Expectation was for it to be a positive 0.1%. So inflation is trending in the right direction, as, as the Fed was hoping. And, and, they had alluded to, it's been their belief that while we had the small hiccup of a few months, of a slight uptick, that they thought that that was just kind of a one off thing, that it wasn't a reacceleration of inflation. And at least with this month's number, it confirms what they have been thinking, which, from the market's perspective, because the market was slightly, red in the pre market trading and that number came out at 830, it immediately flipped to green across the board in all three major indices, Nasdaq S and, and the Dow. And the reason for that is because if inflation continues to move in the correct direction, the market is feeling more and more likely of a rate cut coming in September. Now, I haven't seen since that, that jobs number, or, I mean, that inflation number come out this morning. I haven't seen what the probability is, but prior to it, the probability was over 70% that that first rate cut was going to be September. I doubt that today caused that number to drop any. So it either stayed the same or possibly increased a little bit. But then more importantly, whether it's September or not, I think what it is beginning to signal to us is that we can probably expect to see that we will see a fed rate cut this year, partially because they do believe they're in restrictive territory. So it isn't a rate cut to stimulate the economy, which is typically what we think of a rate cut. But they believe they are in restrictive territory, and if they don't need to slow the economy down anymore, they'll want to slowly work their way back to neutral. Neutral, of course, is a constant moving target and always being adjusted on a regular basis. But you're probably looking at neutral somewhere closer to three, three and a half. And here we are in that five, five and a quarter range.

David Hays: You know, I was reading a commentary, I'm not sure who wrote it, but it said, it ain't over till it's over. Words of wisdom from baseball legend Yogi Berra in the words that Chairman Powell has been taking to heart because he said inflation has eased over the past year, but remains elevated following the Fed's June meeting. In other words, it ain't over till it's over. But I think today's number, certainly points in the direction of no future increases, which was being discussed by a few Fed members last month, though, hey, rate increases are still on the table.

Rod Holloway: The transcript provided includes three speakers. S: Yeah. Even as of last week, there was at least one member, I think it was Bauman, that had mentioned it. I read an interesting article and it did make some sense to me in regards to that. They were saying that really the rate increased talk was potentially an offset to the market to not get overly excited too soon and get ahead of itself.

David Hays: Oh, they would never do that. Come on, said it.

Rod Holloway: The transcript provided includes three speakers. S: Many a time that the Fed looks to get a response off of the word they use every bit as much as the actual actions that they take. So that's part of what went into it, which I, thought, okay, that makes sense, because we do know that they do like to talk to the market and get a reaction out of it even before they take any action with that. And I think that's a lot more of what those rate increase talks were, is trying to downplay the enthusiasm and excitement of the market. Once again, rate decreases most certainly aren't a bad thing, but we don't need rate decreases exclusively to have a growing economy and a growing stock market. Obviously, things can accelerate growth wise when you have lower borrowing rates and cheaper capital available to pursue those growth opportunities. But it is not required to grow at zero interest rates as the only way we can have a positive market.

David Hays: You're starting to see some deals on cars, new cars, where they're offering the low financing from the manufacturers. Again, there's a lot of things that are happening that makes me realize that, yeah, everyone's kind of feeling the slowdown right now.

Value investing has become controversial because most returns are driven by eight companies

Let's briefly talk about, because I know, and I have a segment after I let you go on investing through index funds is more popular than ever. So why has it become so controversial? And basically we're talking about how majority of your return has been driven by about eight companies, or maybe twelve. but the Dow here, it is just plugging and chugging along. And I've just really had a lot of, I've read a lot of things of people predicting a long, long run and more of the value type investing over maybe even the next decade or so. That indices, broad indices of the industrials, just hasn't seemed to keep up with the s and p at least.

Rod Holloway: The transcript provided includes three speakers. S: Yeah, most certainly not. I mean, year to date numbers through yesterday's close of Dow Jones, industrial average is up 5.39%. Year to date s and P 500 a little over 18, the Nasdaq 24%. So, yeah, to your point, it has been a big lagger, in that regard. And part of it is because it only has a couple of those big ten names, part of it. So the thing that's really been driving the Nasdaq and S and P 500, the Dow Jones doesn't have full exposure to that. In addition to the Dow Jones probably does have a little greater allocation. From a percent perspective, some value plays in there. Value has been out of favor. Value kind of picked itself back up a little bit coming out of the pandemic, after we had that initial surge up of growth, and especially things pandemic related to work at home and school at home and all of that coming out, you had a little bit of a catch up on the value. But that catch up trade ended pretty quickly. So, yeah, I wouldn't disagree that there is opportunities in the value. And I think along those lines. You know, 2000 to 2010 is a good example to analyze and discuss that 2000 to relatively flat over those ten years. But look beneath the surface, there were all kinds of companies that did very well over those ten years. So just because it didn't flow through to the S and P 500 index, doesn't mean that there weren't individual companies and individual sectors within the S and P 500 that did do well over that ten year span, even though the S and P as a whole was basically flat over that ten year period.

David Hays: So what I was going to talk about next, I'll just go ahead and talk about now. so when you look at an evenly weighted index for the S and P, it's not up that much. I mean, if you said the big names that we all know, are cap weighted, so they drive the majority of the return. But the risk is this, folks, that if you own, if you own only S and P 500, and most of your return is driven by eight or twelve companies, and when that flavor starts to go away, and it will, at some point, you're going to see massive drops versus people that have a more plug and chug attitude, which has always been my attitude. You know, hey, let's just take good, consistent returns over time. Slow and steady wins the race. Yeah, we get excited when we have some of these big runs and these big in some of these certain companies, but. Right. I think people need to be careful because I believe the S and P 500 is the riskiest index to be in at this point.

Rod Holloway: The transcript provided includes three speakers. S: Well, most certainly could be because, like you said, is so heavily concentrated in tech and growth tech as far as what's really driving it up there. Now, to that point, those big boys are generating real revenue increases and real earnings increase. So they're still great quality companies to own. Will they continue to have outsized performance every single year? No, probably nothing. but that doesn't mean that there aren't other opportunities elsewhere to pair with that. I mean, the bulk of the phone calls I'm getting from a lot of financial firms, and obviously not every financial firm has this story to tell, but the ones that have it are calling up and telling the story, which is, hey, here's the type of performance we have so far this year, over the last three years or five years or whatever it is, and we've done most of this without those big ten names in it, you know, so. So to find that compliment of, oh, okay, hey, you're getting good performance without being beholden exclusively to the ten biggest market cap companies within the index. And then you start pairing those together, because like I said, I don't think you want to go run and hide away from those big ten boys, but if you bet exclusively only on them, there are going to come periods of time in which they underperform other areas within the market once again, broaden out some diversification without going crazy and over diversifying. It's a fine line that you have to walk there.

David Hays: I was looking at some old outlines from a couple of years ago when we had inflation cooking at like 9.1%. And one of my themes back then was, how do you fight inflation? Well, you own things that go up with inflation. So I said, like real estate, like stocks, you know, you have to own things. And that, and that has obviously been a big part of this run. When you have, you know, whatever it is, inflation over the past three years, that's, that's going to be priced into the prices. you also have demographics, man. You've got the peak of the boomers, born around 60, 61. What are they doing right now? They're saving like crazy, right? So you have buyers every single day. And if you, if a fund says, well, I'm an index fund, and I have to buy this allocation every time the money flows in, it's, it's more buyers than sellers. I mean, so you have a lot of factors going into what's driving this market. And, you know, and I'm not saying there's going to be a day reckoning because you're completely right. Hot Rod. These companies that are earning these revenues are great, but they're paying up hundreds of times earnings for some of these companies. And I'm like, man, there's got to be a lot of technology, and proficiencies and other things to make these prices worth what they are, because you can look across the board and there's a lot of great companies that have great valuations. Like, man, I'd buy that all day long. So it's, it's a little bit of a wonky market right now. There's no, doubt about it. But that's why, that's why we got you, Rod, come on, explain a little bit and handle the, the heavy lifting down at the office. So we appreciate that very much. We will be listening to that point.

There is going to be a spillover effect from some hot sectors

Rod Holloway: The transcript provided includes three speakers. S: Dave, I think was the other thing that you have seen. M there is going to be a spillover effect. You know, whether it's AI, whether it's cloud computing, whether it's security within the cloud, there's a spillover. The AI is going to take an enormous amount of energy as you implement all of these AI chips in these data centers to start scouring the data, whether it be in the healthcare sector, looking at all of the research and trying to extrapolate and pull that around. So there's a spillover effect in which you need to invest in the infrastructure of the energy produced inside of that. Well, nobody's really talking about that. Those sectors aren't taking off and growing, but at some point in time, you should start seeing the rewards of these other sectors that are going to have a spillover effect from the hot sectors within growth in their revenue and then eventually earnings on that. Will it be the same type of growth we've seen in a company like Nvidia? No, probably not. But that doesn't mean that Nvidia, after having such a massive run up, continues to go up, but at a much slower pace. And some of these other areas that haven't run up hardly at all begin to play a little bit of catch up and at least in the short term, have some outperformance off of that. Once again, why you want to balance things and not put all of your eggs in one basket, even if those are really nice eggs, which, those big ten book ten companies are really nice eggs, but there are some very nice eggs outside of those ten as well.

David Hays: That's right. We're going to let you go, Rod. We'll listen to you on Friday. Big show Friday with glass in the afternoon. Thanks for, contributing as always, and I'll, see you back at the ranch.

Rod Holloway: Sounds good. Have a great show, Dave.

David Hays: All right, we're going to take a break, guys. When we come back in 2015, I spoke at the Harvard faculty club on the retirement crisis in America that was looming. And now, nine years later, the USA Today puts an article out on retirement savings crisis in America. Come back and talk about that and more. It's your money with David Hayes.

David Hays talked about the retirement crisis in America back in 2015

Welcome back, everyone. It's your money with David Hays post 4 July week. I hope you had a great one, as I did. Thanks again to hot rod jumping on and helping explain the madness of what worlds we live in, which is why we have a job. Right? I love the craziness. I love complexity. and people say, man, why does it have to be so complicated? I'm like, I love it, man. It gives me a job. So it is that way with everything, right? So anyway, if you haven't seen the video of me talking about the retirement crisis in America back in 2015, you should go to our website, CFCI us, and check it out. I think it's under its videos, but you can find it. It's pretty easy to find a, it's five minutes long, kind of like a TED talk, so to speak. there's a funny story behind that whole thing. And I'll briefly tell it to you because, you know, I didn't know what I was getting into. I signed up through, it was through CNN and I was at an edit slot conference. And you had to qualify to go by being in media of some form like I am or different written books or whatever. And so I kind of qualified. And then you would go to this thing, you had to pay for yourself to go. And then everyone, everyone pretty much gave talks. Well, I was in group CNN, something I can't remember, and I, on the plane ride, it was after I was in a little office fishing tournament. On the plane ride I started to put my outline together and all I had was a little outline. And I get there and I'm at the hotel that night and I thought, well, I'll just grab something to eat and something to drink. And I'm starting to visit with some people and I realized they're there for the same reason I'm there. And they're like all stressed out and I'm like, yeah, you know, I don't know, it's he go, well, did you not have a professional, script writer review your stuff? No. And they said, did you not submit it to CNN first to approve? I said no, I must have ignored every email they sent. So I'm listening to these people, and these people are PhDs, there's I mean, everybody, and I literally call my wife and I'm like, alright, I might have gotten over my skis on this one. So the good news is I don't know a single soul out here, so if I suck really bad, I'm just gonna bury the hatchet and come back home. Well, here's what happened. I get up the next morning, get my suit on, just, already determined I was gonna ride with some other people there. And I get there and I didn't even know much like what I was gonna do, but I knew kind of what I wanted to say and I just blurted it out five minutes, there's a clock at the back of the wall for me to watch. And it actually turned out pretty good. I mean, I did say some things I wish I could get back, but once it was done, it was done. And that, well, we'll go with it. So we started sending this out to employers, employer groups to say, listen, this is a real issue, right? We've got a real savings problem in America. And I think as a, paternalistic or maternalistic employer, we need to help your employees get on the right track and it really helps stimulate some of our education that we do for different companies, mainly through Ivy tech. So that was the genesis of it all.

Only half of American households have even retirement accounts, according to survey

Well, here we are nine years later, and the retirement savings crisis, why more Americans can't afford to stop working. Article from USA Today came out and just said, you know, retirement is increasingly becoming a luxury many Americans cannot afford. Now, my dad would tell you that retirement is not mentioned in the Bible, so there's nothing biblical about retirement. It's just a, made up thing that we decided to go with. Social Security pays less than half of the average wages and faces possibility of cuts. I don't know. That'll happen. doesn't stretch far enough, and older Americans have too little stowed away, and 401 ks and other savings get by. In fact, only half of Americans households have even retirement accounts, according to the federal Survey of Consumer Finances.

So I'm looking down at one of the quotes, and it says here, one in two people reaching retirement won't have enough. And one in four seniors are poverty. Measured by international standards. The retirement savings crisis in the United States is no longer looming. It's here now. That read in the first sentence of the report from the National Institute of Retirement Security. But what was cool is I went through and I'm reading a lot of this stuff, and I'm like, my gosh, this is, this is me. I've been talking about this for a while. here's one that says, work, retire. Repeat. The uncertainty of retirement in the new economy blames the retirement savings crisis on the switch to 401 ks. These do it yourself pensions have a growing number of low and middle income

Americans, forcing them to work well into their seventies. And here's one. Larry Fink from Blackrock says, if you haven't figured it out by now, you're on your own. Approach has shifted Americans from financial certainty to financial insecurity. Of course, that's the move from pensions to defined benefit plans, or, defined contribution plans. We all knew this, it was going to happen. But the issues were right. The boomers, many of them weren't told until it was way, way late what they needed to do to prepare for retirement. And the reason is their parents, grandparents, they had pensions and Social Security. Those two things combined took care of them. They didn't have to have personal savings. And just like my folks, who, you know, we're the very earliest baby boomers, you know, the people that are younger baby boomers, they got it figured out a little bit earlier because people are like, hey, you got to do this.

And then the millennials, they're doing a great job saving. Why? Because their parents are like, hey, dude, you have a 401k. You need to start saving right away. You were broke before. You just stay broke, right? Get your 10% or whatever and go, go, go. So I go on to read this article, and I'm like, he point this. Larry points out of four in ten Americans don't have $400 in emergency savings to cover a car repair or a trip to the emergency room, let alone retirement savings. Maybe once a decade, the US faces a problem so big and so urgent that government and corporate leaders stop business as usual. And he wrote back in March that America needs an organized, high level effort to ensure the future generations can live out their final days with dignity. So, I'm reading this article. I'm like, man, this is the stuff I was talking about. Because I said, if, you know, I'm all about personal responsibility, right? I'll take care of myself, I'll take care of my family, I'll take care of my community, right? I'll do that. But that's the way I'm wired. A lot of people, most people aren't wired that way. So my talk was at that time, in 15, was, if they're not going to do it, we're going to have to make them do it. We need auto enrollments, we need auto escalators, we need auto investments.

And a lot of that stuff has materialized, but not enough. It has proven over and over and over that people will generally not opt out of something that they're automatically opt into. And you can't mat, you can't say, we're going to put you in at 3% because that's the match. No, put them in at 10%. Right. And make sure that when you're young, goes to the roth and let it rip. And I think that would be a big, solve a big problem. Now, some would say, well, we need more government intervention. We need this, like Australia, or we need to be more like Ireland, or, I don't know, Switzerland. And I'm like, no, we don't have to be. We can still maintain our independence and our responsibility for ourselves, our families and our communities, but we're gonna have to force people to do some things. Because if they don't, guess what? All of us that have saved and done the right things, guess who's gonna pay for it all? And I mean all. So in my talk, I talk about, if we don't do this, you're gonna pay for their food where they live, the rehab for the knee replacement that you just paid for. I go through this whole talk, and I'm like, man, this was like being a profit back in 15. I'm not trying to, you know, wring my own horn here too much, but it's like, come on, guys. Come on. We got to get. Get to life here. But I think the millennials are doing a good job. we've got a real issue with some of the boomers not preparing, and that's forced them to work longer. But you know what? That's just the way it is. There's trade offs. I always tell people whenever they say, well, that's not going to be enough money for me in retirement. I'm like, well, there's only two things we can do. Save more, work longer. Or, yeah, you can make more, but who wants to take a ton more risk with the chances that you won't? It won't go right. So it's very simple. Work longer, save more. You know, the investments will do what the investments do, and then if that's age 70, fine. If it's like my dad, 76, 77, fine. Even when dad retired from the bank, I can't wait to have him on in December for annual powwow of the year. He actually finally pulled the trigger on retirement from the bank. And he'll tell you, he just knew it was time. But you know what he's doing? Not sitting on his butt. He's got his real estate license fired back up, and he's already got a listing, and he's floating deals my way, and it's fun, you know, and he's reinvigorated and having a lot of fun. So, you know, and that. And working a little bit longer before into retirement, you wouldn't believe. Just one or two or three years longer, how much better it makes everything.

Money guide pro helps you make decisions about your retirement based on your finances

And that's why I love our planning software. It's called money guide pro. we don't call it that. That's what's powered by. But you can run these what if scenarios and say, okay, what if I took Social Security here, my wife took it there, or I worked one year longer, or I decided to do a go go slow, go no go retirement approach, and I decided, okay, when I'm in my 85 range, I'm cool with Social Security and a little bit of money. I don't need a ton. But, you know, right now, when I'm. When I'm 67 to maybe 77 or 80, oh, I want to go to. I want to go to Florida every year. I want to take my grandkids on a cruise. I want to do things, and that's called a go go retirement. And I love it because I think a lot of people end up not doing all this stuff and they regret it because all of a sudden, you get to the point you have all this money and you don't feel like doing anything. So follow the money the way you follow your health and your feelings. So I like it because clients will say to me, hey, I'm thinking about this, or I'm thinking about that, and I'm sort of what if? Scenario, what if? And here's. Here's what, you know, here's what it is. And you can make a not just an emotional decision, but a math decision as well. And sometimes you have to put the two together to make a good decision.

David Hays talks about bond vigilant vigilantes and repreation

All right, when we take a break, next, let's see what I want to talk about next. Oh, so this was pretty interesting. Julian, who was first Eagle global, the Frenchman that was on with us in the springtime, we talked about repreation. We talked about, bond vigilant vigilantes. And I don't know if you remember that, but you could go back and listen to the show. But it's basically ways that we could get out of the debt we're in, but as a country and how we did it once before and then also how people could basically fight for change by being a bond vigilante. I'm going to talk a little bit about that when I come back. It's your money with David Hayes.

Greece introduces six day working week for some industries to boost productivity

All right, welcome back, everybody. All right, we've talked about a lot already today. Hey, I did see this piece which I thought was pretty interesting. Greece starts a six day working week for some industries. Greece has introduced a six day, and, we always thought they were lazy, right? No, they're not. They're starting a six day workweek for certain industries in a bid to boost economic growth. New legislation, which came into effect the start of July, allows employees to work up to 48 hours a week as opposed to 40. It only applies to businesses which operate on a 24 hours basis. I didn't realize that they didn't allow people to work past 40 hours. I don't know enough. So don't hold me to anything I'm telling you here. I'm just reading an article that came from the BBC, which probably knows a lot more than I do about greek government. And the move by the greek government is at odds with workplace culture elsewhere in Europe. And the US wherever four day working pattern has become more common.

What's interesting, I tried that this summer. I thought, you know what I'm going to do? Because my office runs really, really well when I'm not there, and it runs good when I'm there, but it runs really, really well when I'm not there. I guess get out of their way. You got rod on the investment team and Angela in the group, on the service team, and it's fine. It works like great. So I don't have, I don't have to be there all the time, but I am. But this summer, I thought, you know what? I'm gonna, I'm gonna mark every Friday out, and I'm just going to either try to play some golf, go fishing, try to spend more time with friends, family, clients, whatever. And, we are already past 4 July, and I have not done any of that. So I am gonna in. And I only did it for June, and I didn't do it at all, so it's too late for me to do it for July. So anyway, for me, don't know what a, what a four day workweek would even look like. I'm just not again, wired that way. But it was kind of interesting when the grease is trying to get, more productivity out of people. That's the key. It says here. So just kind of looking here, this pretty interesting little article. If you want a copy of it, I can get it to you.

Whoever wins in November may have to worry about bond vigilantes

All right. So, reparation, I'm not going to spend a lot of time on that, but that basically was the way that we kind of got out of our major debt problem right after the war, World War two. And I did a piece on that already. But I'll briefly explain it to you again, where we borrowed from the private insurance companies, gave them some favor, inflated the rest of our debt away, and got back to a reasonable debt to GDP ratio. That what happened? It's called reparation. You can look it up. pretty fascinating. Don't think it would work in today's world at 35 trillion in debt, moving towards 50 faster than a locomotive. That's scary. Right?

And the good news is it's getting talked about a little bit. But here's the thing. Sometimes the government doesn't do anything until there's a crisis, right? That's why it's like, when are they going to fix Social Security? Well, when it's a crisis, and it's not yet a crisis, but it's getting closer and closer to being a crisis. It happened back in the early eighties with Reagan, happened again a little bit in the nineties under Clinton, and it's probably going to have to happen under the next administration, whoever that may be. So whether it's President Biden or former president Trump or someone else, right, we don't really know. Occupying the White House in 2025 may have to worry about bond vigilantes. Bond vigilantes are traders that will use or threaten to use the bond market to protest the government spending or its inaction on the deficit. They can sell their bonds, forcing interest rates to rise and making it more expensive for the bond issuer to borrow.

So with the us deficit on the rise, whoever wins in November may have to worry about investors attempting to force the government to do something about it. Now, remember, this happened with some stocks right where they was. I've read it or something. I don't even remember. Came in and started like buying and buying and buying them. It was crazy. And, you know, people, they can do this. They can do it. Wells Fargo Investment Institute of Global Fixed Income explains that given the amount of outstanding debt, and this is total debt, this isn't just us debt, the amount of the deficit that's projected, it can pretty much tell you that there's going to be some sort of reaction from bonds. And I've been saying this for a while, that the us debt, when we have an auction of 20 and 30 year bonds, isn't going that great. Right. But they'll sell the tar out of two year bonds. But, you know, 20 year, a lot of the big banks are having to take some of it back. So I may already be happy, I don't know, since you bring up since about the deficit.

David Hays: Both presidential candidates were asked about the deficit during debate

I want to talk about the debate. A couple nights ago, both candidates were asked about the deficit, and there wasn't a lot of clarity about the extent to which they're going to address it in terms of actionable policies moving forward. I mean, I think about it this way. Most of our money that comes in is spent on four things, Social Security, Medicare, Medicaid, and interest on the debt. Very little is discretionary spending. So hopefully there's a lot of people a lot smarter than I am to figure this thing out. So I'm always curious from your perspective and you, if you look at it and you know that the fixed income space in particular, I think there could be a likelihood of some bond vigilantes to force the government's hand to do something about it, to force people to deal with the deficit. And this would be after November sometime I would say there is, I would say at this point in time, the amount of outstanding debt, the amount of the deficits and the projected deficits.

We've got, recent, from recent projections from the CBO, which we never listened to, by the way, but they always come out and tell us, pretty much tell you it's going to be some kind of reaction from bonds. Like I said, looking at just a very simple equation, you're like, someone's going to force the hand of them to do something. So don't be surprised if a year from now, six months from now, we start seeing the bond vigilantes come out. And what does that mean for you?

Well, if it drives up interest rates, it slows everything down, right? Everything. Your bond values go down, your stock values go down, it becomes like a train wreck. But if that's what it takes to get the government to pay attention. And I thought that the moderators of the debate, although it's commonly known now that, you know, I don't know, I'm not gonna get out, go down that path. But that, I thought they were pretty fair and I thought they did a pretty darn good job. And I can't always say that with most, of the moderators that I've seen over the years, whether they're on CNN or fox, it doesn't really seem to make any difference. But I was glad they asked the question. Right. But the answers were pretty blah. you know, I just don't think any, anybody wants to deal with it because it's bad. And if you start to deal with it, it's going to be nasty and ugly, and people are going to hate you.

But then guess what? The generations behind you will look back in history and say, man, that was one tough sucker, and he did it. And he took a, he took it on the gin for it politically, personally, whatever. But look what kind of shape we're in today. I don't know how to fix the problem. I just know that we have one thing that we can control, and I am broken record, and I know I'm a rothaholic, but it's this. I can control when I'm going to pay the tax on my IRA. Four hundred, one k. And I'm choosing now and next year, and then we'll see where we go from there. All right, I'm gonna take another break. Come back. This is your money with David Hayes.

Jimmy Inman says IR's could easily switch minimum distributions from uniform to single

Hey, we're teeing up another question and answer show. We always have bunches of questions, but if you have one, please email us. Email Jimmy Inman at CFCI us and just contact us. It will get to him and ask us a question. I love, we love answering questions. I love talking to people. I'll call you at night if I have to to get more clarity. And people are sometimes amazed that I do that. But, you know, they're like, I can't believe you actually called me. I'm like, well, yeah, I know it's 08:00 at night, but this is when I had time to call. So anyway, I was doing a little bit m more research on this idea. So people are like, okay, again, the IRS will tell us how much of it is theirs when we have to take it out and all that, right? That's the minimum distribution. So whether it's 73 for you or 75 if you're born after 1960, remember, I did a whole piece on y age 75 on my podcast. But I just feel more and more confident that this could happen, that right now we all use a table called the uniform table, and it assumes you have a spouse ten years younger. It doesn't matter if you're married or not. So they take your balance at age 73 and divide it by 26.5. So they certainly don't think we're going to live 26.5 years. But if you have a spouse ten years younger, you do. But with this, the stroke of a pen, they could say, you know what? We're going to flip it from the uniform to the single life. And if they do single life at age 73, they divide your balance by 16.54, not 27 or whatever. And what does that mean? It means a lot more money has to be spit out. And then by the time you're 80, they divide it by eleven. That's like over. That's a lot of money that they're going to push out. So my prediction is that will happen because when the, when they look at this mess and they say, listen, we may have $50 to $80 trillion in tax deferred retirement accounts by the time the peak of the baby boomers hit age 75. And at that point, they have to start taking money out of the retirement accounts. And now it's 40% more than what they had anticipated. Many people don't even know what it's going to be like. Most people are like, oh, what age do I have to take it? 70 and a half. No, 73 now. Oh, I'm born in 60 and I want 75. Oh, okay. And then when it gets time to take it, they'll say, how much is it. Oh, it's $10,000. Well, that stinks. They would say if it's 5000 or 50,000, they don't even know. So get ahead of this quickly if you're moving towards that magical age of RMD age and start pushing some of this income forward, getting those iras smaller, because I think, and again, this isn't a show of conspiracy theories. This is just a show that I'm doing today on math. In reality and practicality, that they could easily switch the table that you use to calculate your required minimum distributions from the uniform to the single. And all of a sudden, by the time you're 90 years old, they divide it by five, 5.7. And that's a lot of money that's being spit out to, to them. Now, guess what? A Roth IRA. Is it subject to required distributions? No. Do your inherited people that get it have to pay take RMD's? No. Does it all grow tax free? Yes. Can they leave it in there for another ten years? Yes. So there's so many checks, the boxes on the roth side, it's ridiculous. So, and here's the thing. I know I'm preaching to the choir, because all of you that listen to this program, you're drinking from the same Kool aid bottle that I'm drinking from. I know, because you wouldn't be listening if you didn't. You turn it off and move on to someone else who is talking nonsense. But this is reality. It's math. And I'm just telling you, it can happen. Anything can happen. Look how they switched Social Security rules on us. That was just like, bang. Oh, you can't do this anymore. You can't do that anymore. That just happened like. Like that. I mean, we had three months to adjust to old claiming strategies to the new. Very few claiming strategies. So it can happen. It can happen quick and you won't even know what happened to you. All right? Hate to be down there. I'm not going to do that. I'm going to come back and wrap this thing up. On a positive note, this is your money with David Hayes.

Let's talk about puppies, right? Everyone loves puppies. I have a puppy. She's five months old

Let's talk about puppies, right? Everyone loves puppies. I have a puppy. She's five months old. She is a springer spaniel. A roan, they call her. We have now three springer spaniels. We have one named hunter that will be 18 years old next month. He is geriatric to the finest. We have Ruger, which is five years old. And we have Gracie Jane, named after my mom. And she is five months old. So we have a heck of a heck, of a stable of dogs at our house. And I just thought I'd end up talking about puppy dogs because if we talked about taxes any bit anymore, I'd be sick of myself talking through that. So again, hope everyone had a fantastic 4 July. I'm excited just to be in town the month, the rest of this month of July, not traveling or doing anything, just gonna dig in and make it happen. So I hope everyone has a great rest of week, great weekend, and I'll talk to you again next, Thursday night, okay? Or Saturday morning if you missed it, wgcradio.com or I. Of course, after the Thursday night airing, if you like to listen to it with your favorite podcast, you can pick it up there as well. I encourage you to do that. Go subscribe to it and you get a little alert, and you can listen to it in the car when you're just moseying around or whenever you feel like it. So again, have a great one everyone. I'll talk to you then. Bye-bye.

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