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David Hays: Hey, everybody, it's Your Money with David Hays, live in the studio on this beautiful Thursday. Doug Hughes: also joins me, riding shotgun. Hey, Dougie, what do you think about this, incredible day?

Doug Hughes: I was just thinking this might be the most beautiful day of 2024. I don't know.

David Hays: I love it. Absolutely love it. I was fishing on Tuesday night. There's a little tournament that…. not really an official tournament, but I get together with a bunch of old boys at Moorish Creek and occasionally I get to fish in it. And I love doing it. Not usually just a donation on my behalf that. My $20 donation goes to somebody else, but it was great that night. Caught a good one. Nice fish. Waited in, almost got big bass. Pretty fun. I didn't even tell you that. Awesome. Yeah. And then tomorrow, I'm sorry, on Saturday, I'm gonna take off for the Gulf of Mexico and we're gonna be there for a couple days doing my overnight trip. So we go out, normally a father's day trip, but this time it got booted because of weather. And, Yeah, I'm gonna head up Tuesday morning around. I'm sorry, Sunday morning around 06:00 a.m. returning to the dock on Tuesday around 04:00 p.m. so it's a long trip.

Doug Hughes: How far out do you go?

David Hays: As far as the oil rigs are.

Doug Hughes: How long does it take to get out to the oil rigs?

David Hays: Well, here's what happens. We go, we leave at six in the morning. Catch bait. You've been on these trips before. You head out. and normally snapper trip snapper fish but those aren't in season. So beeliners I call them kind of a small snapper look for some grouper, you know, some trigger fish, stuff like that. Stuff you, you know, go out and bottom fish for. Get your limit of those hopefully. And about 203:00 in the afternoon they put the downriggers out and crack open the big green egg that's sitting on the boat. And we start grilling and head out and you basically trolling. And you may catch a mackerel or something like that on the way out. But eventually it gets dark and you go to bed. You go to sleep. I mean, and then you get out to the rigs around two in the morning, three in the morning. And you get up and you start jigging, which is terrible, trying to, you know, jigging for croppy. You just twitch your wrist when you're jigging for fish that are 3400ft down. It's from your knees to the top of your head you're jigging. And I don't like that part. So I may just sit back, I may sleep, but whenever the daylight cracks, they throw the downriggers out and they start trolling around the oil rigs. Wow. And about 2 hours go by of trolling and you will catch fish. We caught an 80 pound tuna a couple years ago and it was sushi, great tuna. This was not the kind of stuff.

Doug Hughes: That cut it open right there.

David Hays: Oh, incredible. Incredible. And we caught a big wahoo. Can't even believe how great it is. So once you, once you know it's time to head back, you just troll back and hopefully hit a few grouper, spots in the way and get back in time to get the fish cleaned up, packaged up, coolered up, and then we'll grab dinner, stay all night and head back the next morning. So it's all day Sunday, pretty much all day Monday trip and come back on Tuesday morning. I'm sorry. We'll come back on Tuesday morning. So. Yeah, but it's fun. I've done three times now, I think, and I look forward to it every single time. Anyway, had a great week. Hope you guys all had a great week as well.

Let's talk a little bit about what happened last week in the markets. Then we'll get Hot Rod on because I want to talk to him about the Wall Street Journal article that came out today, why the Fed should cut rates now, not wait until September. Get his feelings on all of that as well. So we have Kenny Bland Auctions. They're your full service auctions service. They offer the pre planning the sale of your estate or real estate. Visit them online at kennyblandauctions.com and Lance Like… the Like Law Group…give yourself and your family the peace of mind that comes with, you guessed it, proper estate planning. Call lance at 812-3238 300.

Well, last week, stocks advanced last week as market leadership shifted amid fresh inflation data and quarterly corporate earnings reports. As they rolled in, the s and P was up, the Dow was up, and the Nasdaq, who led all year long, was just barely up. So the Dow has made a big comeback here in the last week as well because the Dow broke 40,000 again. Harry Dent was finally right, Doug.

Doug Hughes: finally right.

David Hays: The roaring two thousands are finally here.

Doug Hughes: Yes, yes, yes.

David Hays: You guys have been listening to show a long time. No, I love Harry, Dan. I love his demography that he does. I've learned a lot from him. But he has always been wrong when it came to the markets. And he predicted 40,000 a Dow, I think, back in the early two thousands.

Doug Hughes: Early two thousands, yeah. And, it's just 2020 some years behind. Hey, it's long term investment.

David Hays: He's the one. He's the one, he's the one that coined the term. Do you know the difference between a genius and a quack when it comes to economics? And he paused, he would say about 30 years.

Doug Hughes: 30 years.

David Hays: So thank you, Harry. Yeah, thank you for that. I'm not saying to quack when it comes to economics, but certainly quack when it comes to predicting, predicting markets.

Doug Hughes: Numbers on the market.

David Hays: Numbers on the markets. Yeah. So we had the mega cap, tech companies, obviously had modest gains for the S and P because seven companies dictates, you know, half the return. We talked about that over and over and over. And the Nasdaq in its first two days of the week with promising, Dow posting good, good, gains. So here we go. We had a narrow trading second quarter earnings. Dow ended the week with solid gains after three consecutive weeks of trailing the S and P and Nasdaq. And the Dow also closed above 40,000 for the first time it has since May and hit his 52 week intraday high on Friday. So here's what happened. We had some mixed, mixed inflation news. Two inflation reports came out last week, PPI and CPI producer price index that measures the change in wholesale prices. That actually went up 2.6% in June. Year over year. That's its largest increase in 16 months. But then by contracts, CPI, which contracts consumer prices, showed that the pace of inflation actually slowed in June, went down. So markets kind of shrugged off the mixed inflation news and conflicting data, instead embracing the cooler CPI data as the choice of, but that made the markets go up. So the Fed is likely taking notes for its next meeting coming up July 30, the 31st. I don't think they're going to do make any action there, but we'll certainly hear what they have to say once they come out. And then this week, we had all kinds of stuff going on, mostly just earnings reports, no big economic data. Let's take a quick break, come back, get hot rod on the phone. This is Your Money with David Hays.

David Hays: Welcome back, everyone, to your David Hays. Doug Hughes: along my side. And now we have another member of the CFCI team, Rod Holloway. The person that handles the investment management down at our office, is now on the phone, of course, contributor to glass in the afternoons on both Monday and big show Friday. Rod, I did a little commentary before you came on how we're starting to see a changing of the guards from the mag seven to the other 493 when it comes to the s and P, and certainly to the Dow has been rolling along here pretty good, above 40,000 for the first time since May. And you would have loved this comment when we, I talked about it before you came on that Harry Dent was finally right.

Rod Holloway I don't know about what would be.

David Hays: The question, but no, we have finally started to see this momentum shift, and we've seen some pretty big drawdowns on some big names in the, in the past week. but we've been somewhat predicting this value trade that would have to some point. Come on. And we're not sure how long it will last. That's why you should bone a little bit of everything. So just, wanted to comment about that first before I get into an article that was in the Wall Street Journal today that said why the Fed should cut rates now, not wait until September. And I'll get your opinion on that in just a few minutes.

But let's talk about the mag seven to the other 493.

Rod Holloway: Yeah, so I think that it's getting a lot of, press and a lot of conversation, but I do think that people should probably slow the roll down just a little bit, because let's not forget the Dow Jones industrial average through yesterday's close is up 9.31%. The S and P 500 is up 17.16%. The Nasdaq composite, 19.89%. So, yes, the Dow Jones has made a nice little move in the last couple of weeks because it was only up about 4% when those other indices were north of 20 or right around 20 on the s and P 500. So a week or two of a small rotation doesn't create a brand new trend.

Now, I do agree that value does have some catching up to do over time, but value has been needing to catch up over time for many, many years. You know, so if you're jumping back and forth between growth and value thinking you're going to time it, you've probably been setting in value for a number of years, anticipating a catch up move that just has never happened. And it's kind of like the move right now. While I have said there are great opportunities outside of that mag seven that are out there, that doesn't mean the mag seven's growth is done and over with. They are still one of the, some of the companies with the best earnings and revenue growth out there on the street. Are they the highest? Are they most growth oriented? No, not necessarily. A lot of it is priced in off of that. but we don't want to lose sight of the fact that growth isn't just completely done and trash.

Now, growth is still dramatically outperformed m that value side of the trade. But yes, it is a good, positive thing when you begin to see things broaden out not only on the value side, but the large cap has been the dominant performer. Well, now the small cap is playing catch up. The small cap, probably a month, maybe two months ago, was actually negative. Year to date, it's had a heck of a run and it is now up, 10.5%. Well, I guess actually, yeah, it would be within the last three months because as I look at this data, the three month return for the Russell 2015.27% year to date, 10.49%. So it's taken this quarter and a big run up in this quarter for the, for the Russell 2000 to actually get positive. But it is a good thing. Like I said, it is a good thing to see the rally broadening. Now, I guess the only thing I'm saying, don't assume that the mag seven are now suddenly dead and worthless. Companies moving forward. Just don't be beholden to only exposing yourself to the mag seven because there are other opportunities out there, both in market cap as well as the value, the blend or the growth trade.

David Hays: Well, and I think the market moves in anticipation and adjusts on reality. And I think the reality is that rates probably will start trending down, and that's good for small caps, because small caps tend to borrow maybe a little more money than some of the other companies. And that's been a historical trend that we've seen for the last 28 to 30 years that we've been doing this, and I don't see why that would change. Yeah, being in value would almost be like knowing that Caitlin Clark had 19 assists and the fever still lost. 19 assists, and they, and it was a record number, and they still lost. But you would, you know, I'd hang my hat on that. If I had a player do 19 assists, I'd say they're going to win, but they still lost. So you have to have a little taste of everything.

All right, Rod, let's talk about interest rates. So there's an article in the journal today, probably didn't see it because we don't get it in paper form anymore at the office. You have to make effort to go online to get it, but, here we go. The M article says the Fed pushed interest rates above 5% a year ago, determined to achieve two things, much lower, inflation and a cool labor market. The article went on to say it has succeeded. Inflation, by its preferred gauge, has fallen from 4.3 to now 2.6, the steepest decline since 1984, and within shouting distance of the Fed's 2% target. Meanwhile, the unemployment rate has risen to 4.1% from 3.6, an increase seldom seen outside of recessions. Now, the things that I thought were highlighting. Good to highlight in this article, and I love this because, this is like, hey, go back and play our tapes from three years ago or two years ago. It says, once burned on inflation, twice shy. The Fed's caution dates back to its infamous prediction in 2021. Yes, or three years ago, that inflation would be transitory, GDP was still well below the pandemic trends, and unemployment was still on its long run of a natural level. So I thought that was kind of interesting. And then it went on to talk about the risk of waiting, the risk of cutting, and how we are in a no win political situation.

So let's go back and first talk about, you know, the, just generally, the idea on whether we, they should cut sooner than later or cut now. I don't think they're going to do that in July, but I'm starting to lean more to the, in the camp that it's possible for September.

Rod Holloway: Yeah, I think so. As a matter of fact, the probability from the market is now up to 98% likely that there is a rate cut in September of 25 basis point and a little bit north of 50% that you get a second rate cut in either November and December. I don't think that's out of the question now. I would question the article, ringing the bell that, ah, everything has been accomplished, because I think we've got a long ways to go to determine whether or not the Fed has actually accomplished things, which, what I mean by that is a soft landing, that they actually were able to get inflation down to where they needed to without wrecking the economy and pushing us into a recession, which is typically how the Fed has corrected things. Not that they wanted to push us into a recession on purpose, but that is typically what happened.

I also find it interesting in that article that now that somehow 4.1% unemployment signals that that's a number that is close to recessionary terms. But prior to, I would say, Donald Trump and Biden both having unemployment under four, prior to that, 4% was considered full employment. So full employment's four, 4.1 is recessionary. Once again, I don't know the source of who's writing it. It's a journalist who's probably never managed a penny for anybody else in their life. So what do they really know? They know the data points that are put in front of them. And the data points are there is some softness in the labor market. Inflation is trending in the right direction, and the Fed does believe that they are in restrictive, territory. So that means they don't have to hit their end objective before they start moving interest rates down, because 125 basis point decrease in September doesn't take you from restrictive territory to neutral territory. Neutral, once again, is also an ever moving target. I think right now the Fed's talking that neutral is probably somewhere around that two and a half to 3% range.

So if we're going to get to neutral and that neutral number doesn't change for them, then we have multiple rate cuts ahead of us before you would get to that level and no longer be in what they consider to be restrictive territory. And until we hit that neutral level, and we know what the data points tell us at that, the jobs number, the inflation number, we won't know if the Fed achieved a soft landing. All I can tell you is what I've been telling glass. A soft landing is still on the table. It's not off the table. We can't say the Fed screwed up or messed anything up. It's still a possibility, but until it is accomplished, we don't know if that's what they're going to do. Although it does look right now like the Fed has done a nice job in navigating this potential soft landing.

David Hays: Yeah. In the article it says the risk of waiting. The overall economic growth has decelerated gently to around a healthy 2% this year. Unemployment at 1.14.1 suggests the labor market is neither too hot nor too cold, and stock markets are at record high. That this doesn't look like an economy. Economy in need of lower rates. That's the risk of waiting. Or I guess the argument for waiting and for cutting. The biggest risk to cut now is inflation might not be defeated, as you just said. Yet a re acceleration looks quite unlikely with the benefit of hindsight, without the benefit of hindsight, because really, we've never been here before. I mean, we've never had $5 trillion of money pumped into the economy, and inflation ran rapid and shutdowns and all that kind of stuff, we don't really know. But, Yeah, so I think the Fed, to your point, has done a great job, and I think what they'd say in July will matter. And I'm not sure they do they meet in August or they wait. I don't think they meet every month or every, like every two months.

Rod Holloway: It's not every month and it's not always every other month. I don't know how many meetings in the calendar year. I'm pretty sure it's not twelve, but I also don't think it's a, I do believe August is a month that they do skip. So there's a meeting in July and then you have a September, I think September, then November, December. I'm not sure that there's one in October. but of course, even in the months that the Fed doesn't have an official two day meeting in which they determine what they're going to do with interest rates, there are always said members out there doing speaking engagements, and Jerome Powell has his speaking engagements both publicly as well as in front of different congressional bodies at the same time. So we won't necessarily go all of the month of August without hearing from the Fed if there isn't an official Fed meeting.

David Hays: All right, we're going to let you go, Rod. If you are listening, folks, you'll hear Rod again tomorrow on Big Show Friday, about 415, 420 in the afternoon. And if you're listening on Saturday, you get to hear him on Monday to kind of get the week started. So, Rob, we appreciate your time as always. And we'll see you back at the old ranch.

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

David Hays: All right, we're gonna take a break, but before we come back, we are in the middle of this national convention, right, the republican national Convention. I watched it every night, and there's no doubt, I'm aware, they're aware of what needs to be addressed, right? Social Security, Medicare, Medicaid, deficits, debt. They haven't talked a lot about this. And Doug and I talked that. It was interesting, the selection that Trump made of JD Vance, who is a millennial. If elected, he may be the first person, a young millennial, to address these issues, because he knows that the bar tab has been left in the hands of the young people. but anyway, I'm not going to talk a lot politics for sure. But what I am going to say is that portfolio manager Julian Albertini, who is a friend of Doug's, is with first Eagle Global. He also was a guest on our show, puts pieces out occasionally that are just really, really good. And I think the piece, he just put out a short video. I watched it, I had it transcribed, I read it, and. But Doug came. You've got to hear this haze because this is exactly the stuff you've been talking about. So when we come back, we're going to talk about it and more. This is Your Money with David Hays.

David Hays: Welcome back, everyone. Your Money with David Hays. Doug, real quickly, on the political front, you said it best at breakfast the other day that trump, made a Hail Mary over all of the likely picks, which are more established type of people, like a Pence or like a Haley or like a Rubio to a young guy.

Doug Hughes: Rubio, the list goes on and on. And he throws this pass all the way down to someone who's been a senator for two years now. There will be people who say, oh, well, that's not a lot of experience, but they tend to forget that Barack Obama was for two years, though he did some other things, too, and so did, JD Vance. But, it is, it is a long toss. our, our first facial haired vice president in a hundred years, the second youngest vice presidential candidate. I believe he's the second in history. I think there's another one that was 36. So he has thrown the ball long and far to a, the next gen. Next gen to a midwesterner who grew up being raised by his grandmother. Because, as we saw, I like the pig, personally.

David Hays: I mean, yeah, I think it's good time for the younger folks to get involved. Absolutely. Thankfully, he is.

Doug Hughes: And by the way, this, the comparison of age, the reason we bring this up is, we're all aware of President Biden and, former, President Trump's age, but Kamala Harris is 20 years older than JD Vance. And so this, this pass way down the field is really saying, okay, young.

David Hays: Folks, here, it's your turn.

Doug Hughes: Let's go for it. He's a proponent of bitcoin. He, you know, he just. There's a lot of different things here that are just.

David Hays: Yeah. What I kind of sensed a little more progressiveness. Like an almost libertarian ish, in a way.

Doug Hughes: Exactly.

David Hays: With some things. So we'll see. I mean, I honestly, I kind of, like my wife said, I like this guy, and I've never, honestly never even heard me speak before. I didn't watch the movie. I've not read the book. it's certainly giving me some reason to watch the movie and read the book. I just put a new theater system in at the house, so I've not even watched a movie on yet, so that may be. I've listened to the trailer of Top Gun about ten times because that's pretty cool.

Doug Hughes: Oh, yeah.

David Hays: But anyway, we'll see how it goes.

All right. So, Julian, good, buddy of yours, you visit him out in New York? Had dinner with him. You've went to the French open with him? Yeah, he's a Frenchman. he did an interview with, someone from First Eagle, and they were addressing deficits, they were addressing debt. And basically, here's what he had to say in the transcript.

Well, first of all, he was asked, with markets reaching all time highs, we, thought it could be interesting to touch on a few potential risks on the horizon. For instance, the us fiscal deficit was projected to reach 2 trillion this year. What that means, folks, is we're going to spend 2 trillion more than what we bring in. The International Monetary Fund recently warned it poses a significant risk to the entire economy. This isn't us, folks. This is the world economy. What are your thoughts? So here's what he had to say. He said the us annual federal deficit stands at 6.7% of GDP, which is very large relative to history. And despite the us economy being near full employment, as Rod just talked about, this large fiscal deficit has pushed the national debt close. We're really right at 100% of GDP, which is shy of its peak after World War II. When accounting for Social Security. Medicare. This is the best part to me. When accounting for Social Security, Medicare and Medicaid spending plus higher interest expense. The Congressional Budget Office projects the national debt to exceed its historical peak within the next three years. So here we, here we go. I've been saying this along with David McKnight for, gosh, since the, since 0809 era, that Social Security, Medicare, Medicaid and interest on the debt sucks up 90% of our revenue. That comes in. And to our point, it's got to be dealt with sooner or later. But here's what he said the risks were large fiscal deficits. The large fiscal deficits have been very stimulative to the us economy, which, okay, so what that means, folks, is all this money that got pumped into the system and inflated prices, it inflated things, it made things go up, right? So that's been very stimulative and it's kind of been a rising tide phenomenon to, nominal GDP. So we've also had higher corporate earnings, higher asset prices, so such houses went.

Doug Hughes: Up in value, 401ks, everything. Everything has gone up.

David Hays: Everything, everything. So such large fiscal deficits are not sustainable. And eventually the rising mineral tide, as he put it, will have to come out. So answering the question, and this was profound to me, because how many times have we been asked, how much longer can this go? We asked Julian the same question when he was on the radio show when does the rooster come to roost? So he says, so how much debt is too much? He says, we really don't know exactly, but at some point, investors in treasuries, and it's already happening, might demand higher rates to compensate for deterring us creditworthiness. So we saw that in a few auctions, not all of them, but a few of them where we saw the 20 plus year debt not go off that great. And we're. So we're seeing cracks in that. And given that the US Treasuries are the global risk free asset, it could have large consequences on the valuation of all asset classes that are on the US dollar. And then he said, this is the one I wanted to point out. He said, finally, large fiscal deficits have political and geopolitical consequences. So he said. Neil Ferguson, the historian, reminded us recently that any great power that spends more on debt service than on defense will not stay great for very long. It's been true of the Roman Empire, it's been true of the british empire, it's been true of the regime in France. And this rule is being put to a test today by the US with interest payments. This is crazy, folks. Interest payment on national debt, exceeding defense budget for the first time in 2024. And he said, ultimately, this will public debt that's outstanding us is making sovereign paper a risky proposition in our opinion. What do you think about that, Doug? I mean, it's kind of prophetic in a way.

Doug Hughes: It's prophetic. And, and this, this is big language. It sounds, It sounds like a novel. But the truth is, folks, we have entered an arena that we have not been to before. And, to this degree in certain aspects of this. Now, if you're listener to this show, you know that David has been talking about these things since 2008, 2009. We had Julian on the show, actually, in January, where we touched lightly on these things. And then here again, he did another interview last October talking about these things. And the nature of the way that he manages money in their firm is it's very cautious. And so when you ask, what are the risks out there, these are one of the risks that are out there. What does this really mean over long periods of time? How much is too much debt? We all know stories of personal debt, bankruptcies, things that have gone wrong. And we all, in common sense ways, knows there's. There's only so many, so many levers you can pull. And we're kind of coming to that point.

David Hays: So I pulled another piece from David McKnight, who just did a recent, podcast and had Peter Shift was quoted. I think maybe Peter was even on there. But, just a lot of stuff, too, that is echoing what we've been talking about. He went on to say in his podcast, we've got to either cut spending, which doesn't seem to be happening, or raise revenue, which seems to like likely and logical answer as we get to this point. We've got the 2026 coming up, which is the deadline, right? January 1 of 2026, the 2025 final drive when tax jobs cut goes away. And obviously, we're in election year right now, so who knows? A lot of people think that if Donald Trump's elected, that he'll extend the tax cuts and job acts for another eight years through budget reconciliation. But the question is, should he really do that? I don't know. The Committee for Responsible federal and government spending just came out with this most up to date study that said, if we continue to keep tax rates low, it will not pay for itself. Of course, they're a bipartisan committee, layering potentially another 5 trillion of debt on top of what we've already spent. There was a piece in here that I thought was really interesting, but they were talking about how much money is in. Oh, they went on to say, you know, we keep talking about laying this at the, this debt at the feet of our kids and grandkids. But he says, nope, it's the baby boomers, because they're the ones that have all this money in tax deferred retirement accounts. And in about ten to 13 years, they're going to need a lot of it, and you're going to be sitting there with a big pile of money. That's easy pickings for them. So again, another big reason to act now while you still can. of course, the Democrats, if Biden gets reelected, he said, I may do a roth conversion, my entire IRA in one year next year. because the point is they have no appetite for extending the tax cuts. And, you know, you know the logic, right? You lower taxes, you have more money, it gets moving in the economy that creates more tax revenue. You know, so that's, that's the, the trickle down concept.

And it always has worked until it doesn't work. so it's almost like you have to kind of ebb and flow back and forth between policy to make this thing really go. But I was trying to find that piece, where it talks about spending. Oh, spending just seems endlessly out of control. I've been highly highlighted the article here. gosh, I'm going to find here in just a second. But he said a lot of topics that they've approached, on Social Security, Medicare, Medicaid, have been addressed. There's been legislation proposed, and we see higher tax rates coming, but we don't know if it's going to happen sooner or later, but we know it's coming. And I'm just looking at here real quick, but they're talking about individuals and cpas across the country have been not looking far enough into the future. All they look about is what's happening today, not what's happening in the future. they kick the can down the road. Okay, here we go. Let's see what this said. This was, this was it. So I wouldn't count on politicians taking preemptive or proactive measures because their number one job is to get reelected, and that is their only job, not necessarily to represent you, but get reelected. So to take preemptive action is not going to be popular, and they're not going to do it. He said, they just will shore up the programs when they need it and keep kicking the can down the road. Every year that goes by where you fail to take advantage of low tax rates is potentially a year beyond, say, 2030, when you could be paying the highest taxes you've ever seen in your life. So it's just a combination of Julian coming out and saying, hey, listen, folks, we got to do something here. And then David McKnight's guest, I think it was. Who was it? Just trying to find it here. Yeah, Peter Shift was one of the guests, talking about. He said, when there's a. There's always an opportunity in any challenge. And that's what we're saying right now.

Doug Hughes: Well, and, you know, David, the other thing that Julian, was asked about that interview, which is probably, you know, probably. I didn't know, I didn't recognize this, but it probably lends into some of this, too, is that there are more countries having elections this year.

David Hays: Yeah, like 60. Right.

Doug Hughes: 60 countries are having, you know, presidential type elections this year.

David Hays: Well, and you're already hearing rumblings, and obviously France, right?

Doug Hughes: Absolutely.

David Hays: Canada.

Doug Hughes: yes.

David Hays: I mean, Spain.

Doug Hughes: And down in Argentina, the guy with the chainsaw that trips, phone books and taxes.

David Hays: And I was in Argentina last year. Yeah. And I saw it firsthand.

Doug Hughes: Yeah. And so, you know, you look around the world, and the world is changing, and so there's also geopolitical risk. And so when we talk about this massive debt, you know, you just don't want to be so far in debt when things change. And I think we've all. If you've been in business, if you have a personal, debt, you understand what that means. You just don't want to have, too much debt when things change. And that's. That's why, again, you know, we go back to real, assets. Silver, gold, copper, land, timber, all these different things. And we're not promoting them as. As investments that do better than tech stocks. What we're saying is there could be an opportunity to diversify and pull some fiat money into some real assets. That's not a recommendation. It's just a thought process. And by the way, it's playing out across that asset class as we speak.

David Hays: I was reading on in this article, it says it's all about, you know, what we can do to put the fire out in the here and now, what we can do to react to a crisis in the year and now. And let's throw it out. Let's throw it on the national debt. Let's throw it on the national credit card. So let's take care of this boom. We'll put on the credit card. We'll take care of that. Put on the credit cardinal, and then he went on to say, that's when he went on to say, and let our kids and grandkids get stuck with the bill down the road. But then he said, it's not going to be our kids and grandkids. We're going to need the money sooner than that. I think it's the baby boomers himself that would be stuck with the bill. I think we will rapidly approach a time where we need revenue in the here and now, and it's no longer the kids and grandkids that will have to foot the bill. I think it's the. All the Americans will be footing the bill, and they'll be footing the bill in the next ten to 15 years. And I. You know, that's why, guys, I'm not a conspiracy theorist. I'm just a math guy, and I'm just like, okay, why? Age 75 for RMD's, for people born after 1960, that's the peak of the baby boom generation. They're predicting $80 trillion of tax deferred retirement accounts. And they're also saying now, $50 trillion in debt, at least. And that's all. They're always wrong on the low side, by the way, and something's gonna have to happen. So I'm just saying, folks, listen. You can't fix the political issues out there. I can't fix the political issues out there. All I can do is take care of me and myself and, my family and my community or whatever, but you need to listen and take this to heart. Please, please, please take it serious that if you have a large retirement account, if you've got a couple hundred grand in retirement account, you can do it if you want to, that's fine. It probably should, because your income is probably low. But if you've got 5 million or 2,000,003, $5 million in a retirement account, and people listening are like, they. People have that much money. Yes, they do. You need to do something now to rip the band aid off. People that do it hate it for just a minute, right? But then after they've done it, and they take a big breath and they wait a year or two, like, man, I'm so glad I did that.

Doug Hughes: I'm so glad I did it. David, we.

David Hays: Painful planning.

Doug Hughes: Let's call it painful plan, but we've always talked about, just as you diversify your asset class, you need to diversify your taxes. And this is the time to do it. And I actually posed this question to you the day, and I'll pose it on, on air. talk to us a little bit. And I know you have time and time again, but about capital gains tax, what does that look like? in everyone's, you know, the circles you're running in, what are people thinking about? Capital gains tax 2022.

David Hays: Why don't we put that one on hold, take a break and we'll come back and talk.

Doug Hughes: That's a good one.

David Hays: All right, guys, it's Your Money with David Hays.

Welcome back. Your Money with David Hays. Doug Hughes, you were asking me about capital gains, the future of capital gains.

Doug Hughes: Well, yeah. What would that be a lever to pull quickly?

David Hays: Sure. Let's talk about what capital gains. You hold something for a year, you sell it, it gains a long term. You sell it before a year. Short term, it's like regular income. It's always been lower for the idea that we want people to sell things and move money around because you get this money multiplier to encourage investment, is encouraging selling and reinvesting and all of that. So right now, most people pay the zero or 15% and it's marginalized just like our ordinary tax brackets. Well, we know in 2026 it's going to go back to where once you hit a certain income level, all of your income tax capital, gains is 15%, and then you move into a 20% and sometimes even 25% if you're in a recapture mode with real estate. So the idea right now is that they're going to, maybe, you know, maybe stick that 20% or more for higher income earners. I think the biggest question is stepped, up cost base is going to stick around, which is if I have a highly appreciated asset, I don't care what is a farm, a stock, whatever it is, and I die and it goes to my son, my wife, whatever they get to now inherit that, the day to day value, they can sell it. They don't pay any tax, I think for certain liquid assets, because we already saw it with the iras, right. They said, okay, this was your dad's Ira, not your Ira. We're not going to let you keep it forever and stretch it out. We're going to make you pay the tax. They decided to do it over at least 120 months. I think they're going to eliminate that now. Will it be on all types of assets? Probably not. There'll be some discounts on farm land, family businesses, things like that. But I think if you own a publicly traded company and you bought it like your family did, you've talked about company 100 years. I don't know. Great grandpa bought it, and it's carried through the family, of course, getting stepped up costs along the way. And, you inherit some stock and you're like, whoop, okay, here we go again. Another stepped up in basis. I can sell it and pay no tax. I don't think that's going to stick around. I think at some point they're going to raise revenues other ways besides just income taxes. But that's why I keep telling people, listen, all this stuff's on the table, all of it. We have the federal estate tax, folks. It's 13 million for each person. That's going to go to six in, two years. There's a lot of people out there that that's going to affect. When I first started, it was $600,000. Went to a million, went to two, went to five, went to ten, went away, went back to five, went back to ten, went to, you know, it's been all over the place. So, that's another place they're going to grab some money. And I don't know where all the money grabs are going to have to happen from, but they're certainly going to have to happen from. From you and me and Doug. And it's going to happen in the form of easy money, which is your retirement accounts have never been taxed. these other things, I don't know, capital gains, maybe, but I think that would be stupid because that would slow down economic growth by raising taxes on capital gains. maybe 1031 exchanges, maybe they get some limitations where you can exchange property. I'm in the middle of doing one right now. there's just a lot of ways so they can get money. Capital gains is certainly one of them. All right, let's take a break, come back and I got one more segment, then we'll wrap it up. This is Your Money with David Hays.

David Hays: Okay, here's what we're going to do, folks. So we have decided to get 2025, the final drive. What you need to know to win podcast kicked back off. And this is the way we're going to do it. So we're going to take segments from each of these programs. I'll put a pro, a little intro and exit together, and they're going to be eight to ten, maybe 15 minutes segments. And just reinforcing just the specific tax stuff that we talk about during the show. And I know we do talk about it a lot, but it's another way for someone to know exactly what we're going to talk about in that particular podcast. And we're going to get them out. So Jimmy's already got a couple of them cut up for me. I just need to go in and record the intro and the exit and we'll be good to go. So next week we'll have the question and answer show. You have questions, we have answers. So go to CFCI us and, just contact us, put a question in. We will respond to that. I will say this. We don't get a lot of questions through email. I may be one or two a week, tops. And a lot of times, people we already have connections with. so if you have a connection with us, already know our personal emails, feel free to do that as well. But Doug, ah, we sit around our advisor meeting this week and I mean, question after question after question. Most of them, a lot of them are brown. Social Security questions by, by far, are still the most asked. We have questions on inherited Roth rollovers that wish someone inherited a Roth IRa. They took money out, they wanted to put it back in. Is that allowable? You'll have to wait till next week to hear the answer on that. health insurance, when you are not yet retired, or even in retirement, what kind of health insurance is out there that you need to consider? What if you're semi retired? That was one that you brought up in the meeting. early retirement. We mentioned that one already. And the other one is this idea of net unrealized appreciation. If you have appreciated stock from your company that you work for in your 401k, please do not sell it until you listen to the Q and a show next week, because the biggest opportunity alive, especially with all these companies having great earnings. We talk about our good friends up the street, who do a lot of great things for the community, and everyone knows who I'm talking about. They have a drug now, you shoot yourself and you lose weight or you get your diabetes a little bit lower. they have a lot of roots here in Bloomington and, give away a lot of money in order to. Don't mention their names, folks, because if I mention a company's name, I always have to give that long disclosure. So I'm just going to wink, wink, nod, nod at you and you know.

Doug Hughes: Who I'm talking about. Indiana corporation.

David Hays: There we go. You got it. You got it. But anyway, there's other ones, too, out there, that have stock in their 401 ks. And the biggest opportunity, do not sell. We'll talk to you why again next week. So anyway, if you have a question, please don't hesitate. You can even call us. I don't care. There'll be someone there to answer your. Answer your question. Maybe rod, it may be me, maybe Doug, maybe Ryan. It may be Wayne, it may be Jared, it may be Angela. You never know. It, could be any of us. So just give us a call if you want to. That's a good old way you want to handle things. 812-334-3190 or CFCI us. Contact us. We are here to help. We'll be right back to wrap this up. This is Your Money with David Hays.

Alright, guys, welcome back. Last segment of the program. Hope you enjoyed it. A lot of talk, a lot of chatter, a lot of, hopefully, motivation. Doug, what did you say? One time to me, and I'm putting you on the spot. When you deliver a message, you have to inspire. Do you know the. Remember what you told me? You have to inspire. You have to. Something about action. Can you pull it out? You've got it right there. I wrote it down. It's on my desk. I'll share it to you when we get back. You'll come up with it as soon as we get off the air?

Doug Hughes: Yeah, exactly.

David Hays: This is why we should prepare better.

Doug Hughes: We should.

David Hays: Yes.

Doug Hughes: This is for the one liners. For the one liners come and go.

David Hays: Well, you're the king of puns. I am in one liners, absolutely.

Doug Hughes: I'm trying to remember it. To inspire people, to instruct people to one more.

David Hays: Ah.

Doug Hughes: inspire, instruct.

David Hays: And what was the other you came up with one yesterday that I wrote down when I was getting ready to go see.

Doug Hughes: Oh, sentiment or sentimentality.

David Hays: Yeah, I love that one. What's the sentiment or the sentimentality?

Doug Hughes: Right. Well, and actually I use that in, our capital gains conversation because I just talk about owning farmland. You have sentiment, right? Then you have, you know, you love its farmland. Sentimentality was from your family. But the third thing is taxes are a reality no matter what youre sentiment or sentimentality. Same thing with an individual stock. If your family work there.

David Hays: Well, and I had a person say, when's the best time to sell your farm? I said, when the prices are the highest.

Doug Hughes: That's right.

David Hays: It's like, when should I pay my tax? When the taxes are the lowest. Right?

Doug Hughes: Right.

David Hays: Yeah. And farm prices are way up. But you know, the technology has given the opportunity for crops and then we have inflated prices on things and people like, why is farmland so high? Well, I can't even squeeze through a cornrow anymore like I did when I was a kid. I. And prices are up. Yields are better. You know, the what? Their science is better, everything's better. And that all drives up the prices. It's like if I have a rental property and one pays me $1,000 a month and one pays me 1500 a month, they're identical, sitting next to each other, what's one's worth more? It's the one paying you $1,500 works the same way and everything. Have a great weekend, everyone. I'll talk to you again next Thursday. Q and a show. It's Your Money with David Hays. Bye bye.