



Episode 127 - The Financial Storm and What Not to Do About It *Episode Transcription*

“What time has told us again, and again, and again is that market downturns are one hundred percent temporary.”

Paul Adams: ... the market that's talked about on the news, the market that's talked about by the news pundits, does not put you in the best possible position for the long run, and the portfolio that's academically allocating globally diversified is not the same as the S&P 500, the Dow Jones Industrial Average, the FTSE, or any individual index. And know, that always in the media, they are going to take the stance that what bleeds, leads.

Speaker 2: Welcome to Sound Financial Bites. Where we help you with bite-sized pieces of financial and life knowledge, to help you design and build a good life. The knowledge that has been shared from stages of conferences, pages of national business magazines, and clients living across America, our host Paul Adams now brings directly to you.

Paul Adams: Hey guys. Paul Adams here. In the interest of some of the timely things going on right now, it's the beginning of the year, we're still in the midst of the government shutdown as I record this. We decided to add three episodes right now that are holding us back from getting the episode that I know all of you are super excited for, which is now going to be episode 128, which is going to be picking up on our three-part series.

Part three will be Near Misses, Actual Tragedies, and Defined Strategies. Part three is Defined Strategies; that's coming up soon, episode 128. Got some timely stuff for you. Hope you enjoy.

Hello, and welcome to Sound Financial Bites. I am your host, Paul Adams, CEO of Sound Financial Group. If you haven't been listening or seeing on some of the social media, I'm also now co-host of Kari Granger's Granger Network Podcast Leadership Impact. It's so good to have all of you with us today.

I am recording from a unique location today. I am out in the courtyard of a beautiful office complex by the Irvine Company, called MacArthur Court, where a good friend of mine has allowed me to desk-surf for the last few weeks.

I've been down in Newport Beach, California with my family. It'll be five weeks total before we're back home, down here through Christmas with my mom and my kids and my wife. If there's a little bit of wind, or if I end up having to take down the podcast quickly, there is a storm a-brewin' here.

And I thought, given the storm that we weathered last year, together, we weathered together this market storm, I thought today's podcast, we could focus on new year, rough markets, new behavior.

You see, what so many people have done when they're investing, is they put themselves



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“What we may find this year or next year, but certainly over the next ten or twenty years, is that the market continues to rebound. And the reason the market rebounds is because there are entrepreneurs.”

in the position where they've talked so much about how awful the market is. More importantly, they've exposed themselves to media that focuses a great deal on how bad the market is. And when you do that, when you expose yourself, and your family, to all of that talk, it leaves you with very few behaviors. Let me explain.

You're watching the news with your spouse. Now, my hope is that none of our clients are going through this. But they may still be susceptible to some of the crazy market turmoil. If you are watching the news with your family and there's horrible market news, and then you are sitting afterward, talking with your spouse about how bad the market is. And then you are going to work, and around the water cooler, people are talking how bad the market is.

And it becomes real, that the market is bad. Or that the market isn't going to have returns. And yet in fact, what time has told us, again and again and again, is that market downturns are 100% temporary.

You see, that's all we have to go by, is past market history. And while that history is no guarantee of future performance, so far, it has been. In fact, the optimist about what free markets have the ability to do, both in the growth of wealth, and the growth of life and lifestyle overall world over, has proven that the optimist was the one that was more practical.

Haven't you ever had somebody who's a big cynicist? Say, "I'm just being the practical one here. Because I think that the market, da-da-da, quantitative easing, cryptocurrency, U.S. Treasury, all that stuff, it's going to heck in a handbasket. And the reason I know that is X, Y, and Z."

Well, let me tell you, they don't know. We don't know. And how do you know we don't know? We don't know because the market's never told us. The markets have never clearly shown us in actual behavior, that they won't recover. The markets have never proven what everybody said would happen, would happen.

We have talked for unknown amounts of time, certainly the last two decades I've been in the industry. We have never seen the market do all the things that the doomsayers, who wore the badge of practicality, "We're just here protecting you. You need to be aware of these negative outcomes."

Well, those prognosticators never came true. Maybe said another way, those people that were the "realists" were never real. Now, I'm not saying that there's a guarantee of a bright and shiny future. But here's the thing I do want you to watch for, as you go into the new year.

Number one: If you can, re-contextualize the way you think about the volatility of the markets as an opportunity every time that it happens, instead of a negative downturn.



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“Regardless of the storm, the sun does shine again.”

Meaning, every time it shows up, like, "Here's what I've heard from," even some of our existing clients, is they say, "Ooh, Paul, I don't know, this feels a lot like 2008."

Now, this will seem nearly heretical to come from me. But I will tell you, "I kind of hope it's 2008. If this is 2008, do you know what that means for us in terms of returns? You can go back to some of our past podcasts where we've talked about after the crash, where we've talked about "the sky is falling." And we'll put all those links in the Show Notes.

But go back and listen to those podcasts, and here's what you're going to find. Is that for those investors who remained disciplined, who held strategy, those folks put themselves in the position where they got tremendous returns in the market. Why? Because the volatility of the markets is an announcement. It is an announcement that the returns are coming.

I think what we may find, this year or next year, but certainly over the next 10 or 20 years, is that the market continues to rebound. And the reason the market rebounds, is because there are entrepreneurs. There are CEOs out there who have needed capital. The free market supplied that capital.

The free market said, "Come right here; we've got money for you to deploy in your business, because we don't want 2% in the CDs that are available from the bank, that are taxable. We'd rather have the ability to invest in something real, to invest in the next ... we don't know. Whatever the next huge company that you see right now, the public markets provide that. Investors provide that. You provide that."

And when we get scared, and people begin to retract, if it's 2008 again, I'm still not moving my money. I'm still not changing the deployment of my capital from, for me, as an 80/20 portfolio. 80% equities, that's stocks. 20% bonds, that's fixed income. So that I get the opportunity that the market will go down, and it will rebalance. And when the market rebalances, it puts me in the position to buy those equities low.

Now, I'm out in the weather, as we speak right now. And I have done my darndest to do this very quick podcast in a format and fashion that would be short, relatable, and take care of you.

Hey everyone. I want to let you know I'm interrupting this podcast for a good reason. If you're someone who's enjoying this podcast; if our philosophy is helping you better think about money, then this offer is for you.

We've opened up a financial inquiry call for our listeners of Sound Financial Bites. Our financial inquiry call is 15 minutes, where one of our team will ask you some key questions, understand your concerns, and if appropriate, schedule you for a philosophy conversation with myself, or Sound Financial Group's president, Cory Shepherd.



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If you email us at info@sfgwa.com, with "Inquiry" in the subject, we will reply back to you with a link to our team calendar, so you can schedule a call at a time that's least invasive for you. Even if we're not a fit, the team member having the call with you will point you in the direction of resources we have, that can help you in whatever the next step for you in your financial journey is.

Now, back to your podcast, already in progress.

You see, that's what matters most to me about doing this podcast. Is that, especially today's podcast, putting you in the position where when the markets turn afoul ... and they do ... and when the storm rolls in, and if you don't ever watch our YouTube channels, you should come and look at the YouTube channel right now.

I don't know how much my equipment can take in this rain, which is why I'm going to have to wrap this podcast early. But that regardless of the storm, the sun does shine again. You see any other area of life, if people said, "This is it, it's all changing, and this time it's different." Like ... if somebody said my camera just fell over in the wind.

So if somebody said, "This time, it's different; this time, we are not going to be able to recover; this time, the sun will not shine again ever; this time, we need to put our money completely somewhere else, despite the hundred-plus-year history of this country, and its markets delivering return, and especially when you look at the past returns of an academically allocated, globally diversified portfolio."

If you find yourself on shaky ground at all personally, or you and your spouse are not on the same page about holding your investments, here's what I would suggest: reach out to us: Info@sfgwa.com.

Whether you're a client or not a client, mention this podcast, and what we will do for you is spend at least 15 minutes in a bit of education that the market, that's talked about on the news, the market that's talked about by the news pundits, does not put you in the best possible position for the long run. And, the portfolio that's academically allocated and globally diversified is not the same as the S&P 500, the Dow Jones Industrial Average, the FTSE, or any individual index.

And know, that always in the media, they are going to take the stance that what bleeds, leads. So the worse it is in any particular market, the more they are going to tout it.

Now, here's one last thing I think would be appropriate to mention. For those of you that have watched the markets, or even watched the news at all, many of you will remember, years ago, Greece went through a tremendous financial crisis. And when they did, it was all over national news. It was over. It was ending. World financial markets were going to collapse, and your portfolio was going to be damaged.



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“It’s markets that make up a portfolio that’s academically allocated and globally diversified.”

And you know, Greece makes up less than 1% of our entire portfolio. Why? Because they're not that much of world market capitalization, because our models are balanced based upon that. That's what an academically allocated, globally diversified model does. It takes appropriate amounts from each part of the market, across the world, with a slight domestic bias. A little bit more in the U.S. than its world market cap, because that's where we live, where we are purchasing in U.S. dollars. It only makes sense.

But if you find yourself fearful, this podcast is a call to reach out, get grounded, and learn what it means when you ground your decisions in indisputable math, independent scholarship ... those two things together, indisputable math, independent scholarship. So that you can build a portfolio that you can hold strategy with over time. Whether it's with us or somewhere else.

The most important thing about your portfolio is not that you picked the right stock or not. The most important decision about your portfolio is picking an allocation, a distribution that you can hold, because if you can hold it, if you can hold strategy, then that strategy has a greater likelihood of success, than jumping from one to the next to the next to the next, as many of you have heard across our podcasts.

I encourage you to reach out today, get grounded. It's the most important thing you can do. And I'll leave you with this. All too often, people get wrapped up in little tiny things, like where the next 10 or 20% down move is going to happen in the market. And they watch it like a hawk, and they stress themselves out, and they want to get out before, and get back in before it goes back up, all that.

And yet, for most of you, if you simply deployed your human capital out in the marketplace, you would make far more money with your next transaction, the next business you would start, the next line extension you did from your existing business, would all be better served than you worrying about what's happening in the markets. I'm going to make that plural, because it's markets that make up a portfolio that's academically allocated, globally diversified.

Well, for those of you that saw this on YouTube, I hope you don't mind that the camera fell over in the wind, or seeing my shirt get soaked in the rain. I hope to heck my microphone survived this, and my recorder, so we can get all of this uploaded for all of you.

I look forward to seeing you throughout 2019, because you are who we do this podcast for. We're coming up with some great new material, and some good new seasons. And I look forward to seeing you on our next podcast and the next one. And for those of you we've gotten to know personally, I hope that this podcast has once again been a contribution to you, being able to design and build a good life.

Speaker 2: I want to acknowledge you for taking the time to tune in to Sound



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Make it a great day.

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