Sound Financial Bites 095 - Why We Should Talk, Part 2
Should I Invest in Bitcoin?
Episode Transcription

"Fundamentally, what Bitcoin and these other cryptocurrencies allow is a decentralized, non-governmental currency to allow people to change hands and really be able to, in some ways, self escrow their own transactions."

Paul Adams: Hello, and welcome to Sound Financial Bites. My name is Paul Adams, and I think you should put all your money in Bitcoin, all of it, all your money, immediately, straight to Bitcoin. Cory, what do you think?

Cory Shepherd: I think that is the worst idea in the world. I think you should do no money for Bitcoin.

Paul: Well, here's the thing. This is like the argument. The reason I say that is, of course, in jest, and the reason you'll hear that is if what we were to do is go out right now, and we're going to talk about some principle stuff behind Bitcoin, all that, but the main thing is as you go out and try to listen to anybody talking about something -- by the way, it doesn't matter if it was Bitcoin right now or it was real estate in 2007, or it was tech stocks in the year 2000 is that what you hear --

Cory: Or Beanie Babies in the '90s.

Paul: Yeah, Beanie Babies investment. Tulips in the 18-whatever. So, what happens is that, too often, people are not talking about any philosophy around money. They're just having arguments about why you should or should not do something. Most of them tainted deeply with a high level of zealotry for their side of the topic. So, what I want everybody listening to this podcast to think about today is it's not about, "Should we do Bitcoin, should we not do Bitcoin?" It's really, "Should we speculate or should we invest?" Speculation versus investment.

Now, given that the topic today is, "I'm wondering if I should buy Bitcoin," is Why We Should Talk, WWST, let me first just share with you a little bit about what Bitcoin and all other cryptocurrencies are at a high level. This part might get me like some hate messages or, "Paul, you're ill-informed or you're too simplistic about it." But, let me give it to you in a very simple way. Bitcoin, Ethereum, Litecoin, Monero, these are all different, and there are many, many more. There's like 20 mainstream cryptocurrencies.

Cory: You just said one that I had never heard of.

Paul: Yeah, it's untraceable. You can't even know the name. No, just kidding. But, there are 20-something what you would call "mainstream cryptocurrencies", and then there's a whole bunch of initial currency offerings are called ICOs out there, and they're causing regulators an enormous amount of agida right. They're not sure what to do with it.

But, fundamentally, what Bitcoin and these other cryptocurrencies allow is a decentralized non-governmental currency to allow people to change hands and really be able to, in some ways, self-escrow their own transactions. So, if what I wanted to do is I wanted to pay Cory X amount of money, then there is a public ledger on over 100,000 computers that are running what's called a full node, which is just they're keeping track of all the transactions, and it's all getting secured through something called a Blockchain. The easy way to think about it is if I wanted to send money to Cory, then my number is on the ledger saying, "I'm sending X amount of these currency to Cory," and Cory is accepting that transaction, and all the ledgers get updated to show that, indeed, we made that transaction. Easy way to think about it.

Cory: Giant chalkboard that everyone in the world can see, and every time, it's like everyone's account balances reflected that.

Paul: Except, rather than it being Paul Adam's name, it's my wallet number, or Cory's wallet number.

Cory: Anonymous like a Swiss bank account used to be.

Paul: Yes, anonymous like a Swiss bank account used to be, and even Bitcoin is getting less anonymous because now, big data and governments are using learning algorithms to try to figure out where all the transactions are and sort of slowly narrow down who the transactee could be.

That having been said, the easiest way to think about the whole cryptocurrency thing is if we were all sitting around playing poker. Cory, it's me, it's you, it's somebody else, and we all sit down, five of us, let's say, and we don't have any chips. But, we all agreed, at the beginning, we're going to start with $100 each, and at the end of every hand, we've kept track of what everybody has said and we all have our own ledger where we write down, and at the end of every hand, we go around and make sure our ledgers match. And if one of the ledgers doesn't match, we're not going to let that guy play because he just wrote down an extra $5,000 for himself, so he's out of the game until he decides to make his ledger match our ledger, and it's one of the reasons why cryptocurrencies are largely considered to be highly secure, because in order to crash the system, you'd have to control over 51% of all of the computing capacity to be able to dictate what other people's ledgers would say, which is effectively impossible.

"If you just put $100,000 in Bitcoin back in January 2013, now today you would have 1,000 times that. That would be $100 million dollars."

Now, why they're valuable is they're scarce. Each one of these cryptocurrencies has, built into it, a limited or hard ceiling that prevents a limitless amount of coins to be able to be created unlike, say, a government that's going to just print like crazy. Now, the price of Bitcoin has gone through the roof.

Cory: That's why many people are probably listening to this right now because they've seen that the value is skyrocketing and they say, "Ooh, I need a little bit of that."

Paul: That is exactly what they think. Alright, so let's go to Coinbase. This is an online cryptocurrency bank. These are not wallets. Conversation for another day about what the difference is. But, what we can see if I go to Bitcoin, and we look at, one year, we can see what's happened to the price of Bitcoin. It's gone up 1,250%. Unbelievable amount of gain. But, here's the thing. There would have been no way to know that this was going to happen. Now, the only people that would say that they knew it was going to happen is the people who now have it who owned it earlier that year, and now it's like the, "Revisiting my own hindsight knowledge from the perspective of me now having owned it."

Cory: I'll tell you that it is so hard, and here's why it is so hard is that even me, we got ready for this episode. We know what we're going to talk about. I know why we're going to say what we're going to say, and I look at that, and I feel this like, "I could have bought some in January?"

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Paul: Or, better yet, you could have bought some when each Bitcoin, at the beginning of 2013, when each Bitcoin was $13, and now it's $13,000. That is what messes with our humanness. Like, if you just put $100,000 in Bitcoin back in January 2013, now today, you would have 1,000 times that. That would be a billion. Did I do that right in my head? Or $100 million. $100 million is what you would have is you put $1,000 in Bitcoin back in the beginning of 2013. Now, that feeling you got when I said that, $100 million from $1,000 investment.

Cory: $100,000 investment.

Paul: Oh, sorry, $100,000 investment would be worth $100 million. That is what messes people up, that right there, because what people do inevitably, whether it's Bitcoin, or it's Apple in its early stages, or it's Amazon in its early stages, you name it, people look at all of these different opportunities to speculate, and what seduces us into them is the past performance of some other thing that somebody probably did speculate in who made some huge amount of money. Now, you hear about the kid buying a Lamborghini with Bitcoin when he's 27 years old, and basically, he started mining it on an entry-level laptop back in 2011, and now he's a billionaire.

Those things do happen, but the thing that we're not aware of is all the ones that didn't work out. There have been many cryptocurrencies that have totally crashed that are now debunked in and of the cryptocurrency space, but there's also all the people that lost their tails in real estate back in 2008, and now we don't talk about them anymore. Now, real estate's a good investment again, but nobody's talking about where we lost. But, we have clients that have found some developer that they worked with, and the developer said, "Oh, this project is going to be really, really great. All I need to do is you add your quarter million dollars in, da-da-da," and those projects don't work out, and when they don't, sometimes people get their money back, and sometimes they don't get their money back at all.

What is problematic is that we compare it to investing. Speculation looks great in hindsight against investing because, when we're looking at hindsight with speculation, we're never looking at the ones that didn't work out. In fact, all the ones that don't work out seem to pale in comparison to the one that did. For instance, if you put $100,000 in many different things that were totally speculative in January 2013, you probably wouldn't care that five of them didn't work out because, in your mind, "I had Bitcoin. I speculated in Bitcoin and it worked out." In my mind, as I re-cycle, I go back and look at the past, I'm now worth $100 million because of the brilliant idea that I made in 2013. So, all I need to do now is go find what is going to be the Bitcoin four years from now and I'll just do that, and my life's going to work out. But, it doesn't work out that way.

Cory: It doesn't work out that way.

Paul: Because, it wasn't five things that people could have bought on the whole. It's like there was a million things you could have done, one of which called Bitcoin worked out.

Cory: Check out this math. If you only put $1,000 in Bitcoin back in the beginning, going up 1,000%, now you've got a million dollars. That sounds like a lot, but say someone's making

$400,000 a year. They need about $10 million of capital to really be all set. While a million dollars is still a good amount of money, making that one good thing happen is not going to have you set for life.

Paul: No, in fact all you can do if the one good thing does work out, it's like -- I'll never forget, and we're going to go back because I'm going to tell you some of the stories of where I have speculated and it should have worked out. One of them reminds me is a stock. I'll give you a fun one, first, that didn't work out, didn't go well, but a friend of mine was a stockbroker, I was early on in my career, he says, "This is one thing I'm doing for a bunch of my clients," and I just love the guy to death, best man at my wedding, I said, "I'll get in on that with you." It was Force Protection Services.

They're the ones that created the MRAPs, and this is back early on, and we're going to Iraq, and Afghanistan, and all that. The MRAP, the really beefy humvee, the big V bottom and all the extra armor. It could actually take an IED blast. I mean, it's killing it. It's super-expensive, government contracts. That stock never got -- I think I bought it on average at -- because I didn't buy it just once. I averaged down, in my speculation. For all the reasons in the world, I thought it was going to do well, and we're going to talk again. I'm not leaving you guys hanging. We're going to get to the difference between speculation and investing here in a minute. This was speculation; didn't work out. I think the stock ended up being worth 2 bucks a share when we ultimately sold it at significant loss.

"Speculation is when what you attempt to do is to go into something and how you're going to make money is by that thing going up in value and you getting out of it."

Cory: This is my point. You get one small enough, and I think I'm taking some of your thunder. Maybe this is a good segue. I'll try to make it a good segue instead of saying that. So, $1,000 into Bitcoin, you have $1 million. You still got to make some others, but how many tries of small amounts does it take? Did it take 100? Instead of putting $100,000 in one, did you put $1,000 in 100 different bets. Now, you've spent the same $100,000, but you don't have $100 million. You spend $100,000 to get a million, which is a rate of return that you can get a lot more -- it's a lot more in the range of just regular old find some reasonable investments.

Paul: Yes, and what we're going to go back to is the reason people can't put $1,000 in 100 things: cognitive load. You couldn't possibly do it. To put $1,000 in 100 different investments would literally be a full-time job. Then, you've got this diminishing impact of return, and the problem is, fundamentally, it's still speculation. We're going to talk about what the problems are with speculation.

Let me tell you another one: a great stock called Mannkind. Dr. Mann was the guy that created the insulin pump. I think he was involved in the artificial heart. This guy was amazing, and he started a new company totally debt-free and they had a game-changer: inhalable insulin for diabetics, a puffer, like if you had asthma, and you could do that instead of punching yourself with a needle. Literally, they said, "Here's our business plan." They went through it, got to get all the FDA trials that was super-early, and I think I got it for like my average also acquired. I did this more than once for the same stock, and this was over 10 years ago, but it was like I think my average acquisition cost was $7 a share. But, if it did what it was supposed to do, it should have been $150 a share.

What they said is, "We need to get the FDA trials all done," which happened. "We need to be able to get a major marketing relationship with a huge, one of the biggest marketers of prescription drugs so we can get in front of all the doctors with all their wholesale reps. Then, after 18 months of that, we should have valuation at $150 a share." All of those things happened. All of those things actually occurred just the way they said they would, and the stock ended up basically being worth nothing. I think the ultimate liquidation was at $2 a share.

Now, why? Totally unknown reason why. Patients just wouldn't change their habits and doctors wouldn't change their habits of how they recommended it to people. People were just used to putting a needle in their arm to deal with their diabetes, period, end of story. No efficacy issues, no nothing else, something that nobody would have anticipated would be the problem as it's too deeply inculturated that people wanted to put a needle in their arm. Not wanted to, but I mean, that's what they were used to, so they didn't want to switch to the puffer, and game over.

Now, let's talk about what speculation is. Speculation is when what you attempt to do is to go into something, and how you're going to make money is by that thing going up in value and you getting out of it, which means two things. One, you need to have bought it at a time when it was low, you need to then exit and sell it at a time when it's high. For instance, is the person that has $100 million of Bitcoin right now rich?

"Anytime anyone is saying to you, "Your gonna get more than 8%" what you need to watch for is, "Where's the risk that I don't see?""

Cory: They are theoretically rich.

Paul: Theoretically. By the way, theoretically rich was also the people that had $100 million worth of WorldCom stock. Theoretically rich were the people with $100 million of Enron stock. Theoretically rich are those people today that have $20 million of Amazon stock.

Cory: Or Apple.

Paul: Or Apple. Yes, you name it. Here's the thing. Speculation means you don't actually have the gains until you exit. For all of our business owners listening, you are speculating in the value of your business. Now, granted, I'm not saying that you didn't do a good job of building your business, and you're not putting some money back into your business hoping for growth. But, at the end of the day, you got one liquidation point, and you own one very, very volatile holding, and it's okay. It's not a problem that you do that. In fact, it's one of the greatest creators of wealth is business ownership. Yet, if you treat it like it's an investment, like that money is really on your balance sheet, it's not until you convert it to being on your balance sheet. So, speculation is, "I buy it, I then need the market to increase, and then I sell, and my only way of making money is to get out."

Now, investing is different, and there's two different types of investing. One is in that passive structured investing that we teach our clients where what we're doing is academic allocation, global diversification, and what we're doing is, yes, the market needs to rise up, we need to ride that market. But, what's happening inside is our only way of making money is not just to liquidate and take it all out, because it's constantly rebalancing among those slices of the pie. So, I don't have to get out of China at just the right time to make money. It's like, "No, the part of portfolio that's in China is that when it goes up, then it's just going to automatically, on the annual rebalancing, it's going to rebalance to the other assets, and that's it." Very, very simple. I am automatically taking gains off the table. And when Greece went down in a hard way a few years back, well then, my other parts of my portfolio are going to backfill that in because I have academic strategy in play. So, my strategy does not require that I simply liquidate. So, that's one type of investing. That's that passive structured investing. Then, you also have investing where you're bringing your human capital to the table.

Here's the rule I would have all of you thinking about. We've talked about this in past podcasts, but the idea being that if what you're willing to do is tolerate some volatility, meaning the market going up and down in an academically allocated globally diversified portfolio, you're willing to tolerate ups and downs of the market, and you can hold strategy, then over time, you're going to get rewarded about 8%. Let's just call it 8% for the sake of this conversation, which means any time anyone is saying to you, "You're going to get more than 8%," what you need to watch for is, "Where's the risk that I don't see?" because either, A, you need to be bringing something to the table personally, like the person that bought Bitcoin and said, "Oh, there's no risk to it," like yes, there is a risk to Bitcoin. Yes, there is a risk to real estate. When it seemed like it would never go down in value and I could buy it with a ninja loan: no income, no job. It was like that was what people were doing and then acting like there was no risk. But, any time we're going to get higher than 8% a year, especially if somebody tells us it's a sure thing you should look for, "Where's the risk that I don't see?"

"There is a way to invest, even in cryptocurrency, but how you invest is not by going to buy the coin. How'd you have to invest is build value."

Now, how you can get higher rates of return over long horizons of time is if you can identify where your human capital is bringing value to the transaction. So, you're using your human capital to enhance the performance of your financial capital. Let me give an example. We'll use one for Bitcoin. If any of you out there are knowing anybody who's involved in Bitcoin, there are people that are Bitcoin miners, meaning somebody spends about $2,700 to build a computer, depending on the price of equipment, which has now risen significantly. You might have to spend $4,000 to build a small little supercomputer that can close out all the transactions on the Blockchain.

Think of it like this: Visa and Mastercard all have huge server rooms that are dealing with all the transactions that you do at Lowe's, Home Depot, Walmart. The people that are coming that are closing out all the transactions in all these cryptocurrencies are people who have built these computers and have figured out how to not just build them, but to get them to run stable, to do something called overclocking so that the computers will do more work than originally designed, and they're being rewarded, because people that build a $4,000 rig could end up with all their money recaptured of initial investment in like six months, today's cryptocurrency values. Beyond that, it's all profit. So, there is a way to invest even in cryptocurrencies, but how you invest is not by going to buy the coin. How you would have to invest is build value.

Same thing as real estate. If you learned enough about real estate, you don't want to buy a home at market value and then just hope it goes up in value and hope you can get a renter in or we're going to lose money in four years, and, God willing, it will go up in value. That's not how you invest in real estate. How you invest in real estate is you have enough money on the sidelines, you're prepared, you put yourself in the position to be able to cut a check where nobody else can, you take really good of your credit reports. See how each of these things is you bringing more value to the transaction than your average bear? "Oh, so I've got cash, plus I've got good credit, plus I can put myself in a position that I can execute on the transaction in a timely manner, I've got my pre-approval letters, and now I'm watching and I'm buying something for below market value, and then I'm willing to manage the general contractors to fix the things that need to be fixed so it comes back to market value, and then I'm willing to invest the time, energy, money, and resource to get a renter in there so that it pays for my mortgage," all that.

That's human capital you're bringing to the table for whatever's going to produce your more than 8%, and then now this becomes the next part of the assessment you might be in, which is, "If I'm investing, and it's going to be my human capital, well then, what's my time worth?" Well, simply put, if you say to yourself, "I want to get a higher rate of return, and let's say I'm going to get 12 instead of 8, and I'm going to have to do all this work to build a rental property portfolio, or I'm going to invest a ton of time in building a business or some new product." You need to be able to reflect and say, "Wait, my time is worth X per hour. I only have $100,000 to deploy. If I'm getting 4% more on $100,000, that's $4,000, and I'm going to have to put in 2,000 hours to make that $100,000 produce the extra $4,000," that's $2 an hour. Maybe that one's not a good idea. Maybe I should just go read 10 more books to advance my career instead.

Cory: Can I ask the question that I think business owners listening are going to be asking? You called only in business speculation. Now, we're talking about investing is adding human capital. Paul, I started a business by adding my human capital to that equation. Isn't my business an investment from that standpoint?

Paul: Yes, definitely on starting it. But, here's the part where I want owners to own the speculation is that, too often, what happens is business owners get tranquilized, and I mean tranquilized in the truest sense of the word, like a morphine drip in their veins that keeps them relaxed and not in action, and how it keeps them tranquilized is like, "Well, my business is worth $8 million, my business is worth $4 million, my business is worth $3 million," and then that has them not go about building their personal balance sheet like they should.

One thing we coach entrepreneurs and business owners in is we add to our proprietary dashboard that we use. It's a tool that goes out to every institution where a client has money, and brings it back daily so they have full situational awareness and transparency about their money. But, we add their business value, but then we make that asset not available until some future date when they think they're likely to sell. Now, what that does for them is it takes them away from this, "Oh, I've got an extra $4 million in my balance sheet to go, 'I have $600,000 in my balance sheet and $400,000. That's equity in my home, and I probably need to have some other money on my balance sheet.'" So, what we're doing is it's certainly investing is what initially got that rant.

"First hard rule: Never more than 10% of your total asset base should be in speculation."

But, I will tell you many people say, "Well, I'm investing back in my business right now, which is why I don't save more money personally," and they may well be speculating on the value of their business and not where you would be investing in your businesses. "I'm going to put $200,000 back in, and my business is going to pay me back $300,000 in 18 months." That's an investment in the business.

Speculation in the business is, "I turned it all in for more inventory so that we can grow." To what end? Now, we're speculating on the end stock value of the business rather than the other. So, we have to be clear where we're speculating and where we're investing, and for any of us, it's in my bringing my human capital to bear in a way that's going to produce better outcomes than 8% when all I have to bring to the table is tolerance of volatility and ability to hold strategy. Do you feel like that trues it up for our business owner, entrepreneur listeners?

Cory: Yep.

Paul: So, for all of you, whether what you're thinking about doing is buying Bitcoin or speculating in real estate, just be clear that it's speculation. Now, let's talk about the principles behind if you are going to speculate, how much should you speculate. First hard rule. Never more than 10% of your asset base should be in speculation, with the understanding for entrepreneurs, etcetera, is that as soon as you get ahold of the fact that my end result of my business value could be speculation, you get much more clear on optimizing current cash flow to be able to transition it to be personal balance sheet building, because as we've said before, and the very thing that got me interviewed by Forbes Inc., Entrepreneur was this idea that you'll never have a work-optional lifestyle on your business balance sheet. Your work-optional lifestyle, your financial independence are only going to come from the building of your personal balance sheet, and we have to build our personal balance sheet from taking money out of the business, taking money out of your career. So, if you're going to be speculating, never more than 10% of your total investable assets, never. We encourage people to stay at 5 or below if they're going to speculate at all.

Now, really why we do that is so that we can inoculate ourselves, because what I can promise you, after watching it now for nearly 20 years with clients and my own experience, one of those speculation deals, one, after all these years, just paid off for one of our clients. A small, little angel investment that he did that literally was put in $100,000. The total value is now $1.5 million. He's going to take about $700,000 off the table, because that's what it takes to get the sufficiency. So, we're carving that off and then we're going to leave the other 700 to continue speculating. That's okay because the sufficiency's there. So, what I want you all to think about it's going to be 5% is the more likely amount. So, if you have $500,000 investments, then 25,000 would be the number you should use. You don't count home equity in this. This is only your investable assets.

Last, but not least, Cory, a lot of people that we work with have stock options, all that in the main company that they work for, and you have a degree of equity concentration more than most. In fact, I would say, oftentimes, you guys fall under the umbrella to be much more like a business owner than an employee, and here's why. You're counting on said large company for your income, and you're counting on said large company also for a large portion of your invested assets and that what you're doing is not investing, but you're speculating on the value of that company. By the way, sometimes it works out. There's legendary stories of people here in the Seattle area that just have the big lake house. What did they do? They were in early Microsoft. We see it all the time. But, what's the problem with those that we see, Cory?

Cory: It's that we only see the ones that work out. It's this survivorship bias where we don't realize how many dead bodies are lying on the road behind them to get those few that actually did work out. I tell a lot of clients talking about what happened in 2008 to baby boomers who had just upped the risk in their portfolio to get that last surge to retirement.

Paul: Or some of them then cashed out their portfolio and took $400,000, and that became down payments on eight properties.

Cory: Right, and then it all fell apart, and so they went down a lot further than they could. But, see, we never hear those stories because no one wants to tell that on themselves on a cocktail party.

Paul: They're so embarrassed. The internal, "I lost my family's wealth, I can't retire on time the way I told my spouse we'd be able to." There's a deep shame in that for people, and I don't think they should be ashamed. They just need to pick themselves up, learn from it, and move on, but that's why you don't hear about it.

Cory: If anyone listening has gone through that and you would like to be a guest on our podcast, we will welcome you with open arms, take really good care of you, and help a lot of people by getting to hear that story. Because, all they get to hear is the person bragging about buying Bitcoin back then, or buying Apple at just the right time and having 100% return in a year. Although, that person is not telling you about the 10 other stocks they bought that were all losers, so they're not actually a net winner in their speculation.

Paul: Or, you'll know the way they tell the story is, "I bought X when it was 13 cents, and look at it now." But, if you actually dug in, "So, how much did you buy?" "Well, I put $1,000 in it." "So, now you have $50,000?" "Yeah."

Cory: Invite me to your island, please.

Paul: That's right, there is no island to go to because it's not enough to make the difference. So, what we need to be able to think about, all of us, is that there is speculation. Speculation's okay to participate in, but if you're for that major company and your income is depending on that company, and a huge amount of your assets are dependent on that company, it might be worth just making a sober assessment of, "If this company didn't want me today, what would I actually be worth at another company?" and then keep your living expenses radically within the number you think somebody else will give you. Because, maybe you rode the elevator at the company you're at, and you're kind of being paid a lot more than what anybody else would want to pay you. That's okay to get straight about.

But, second is then how much of your actual individual stock should be in that company, and that doesn't mean you shouldn't have money in the company stock. One great way to create balance here is just save radically the money you do have and you do make so that you're creating an offset against the stock. Because, wouldn't it be wonderful the decade from now, that stock is worth truckloads and you could retire as a legend, but you also have this other money. That's never something you're going to regret, but what can produce deep amounts of regret are the people who chase that hit hoping they'll have that big liquidation event and it never happens, and they're tranquilized, just like that story I told about the business owner of, "It's going to be worth

X, so it's okay, because I'll pay off that big mortgage once I take the liquidation of the stock," but, it never feels like a good time to sell when you're speculating and it went well. Unless you have a disciplined strategy behind it, you decide it on ahead of time.

Cory: That's the hard part about speculation is that it's even hard to really feel like you win when you've won. Example I'll tell on myself is I was buying stocks in college because I was studying all this and I was really into it. I haven't bought individual stocks myself since I've become a financial advisor, part of it because I understand all this better and I just don't have the patience or the cognitive load to manage all those pieces. But, I bought Apple before the iPhone, like I think probably in a $9, $10 a share range. It's $175 today, sold it a couple years later to get liquid cash for a deposit on a rental with my buddies in college, and it had gone up very nicely because the iPhone had come out in between there. So, actually, I got a win, because I bought it low, sold it high, had money at a time that I needed, but if I tell someone that story, first thing they say, "Don't you wish you still had it?"

Paul: Wait, I won.

Cory: I won, yeah. It's always that, "If you kept it now, how much would you have?" and it's like you can never win in that.

Paul: That is the other major problem if you're speculating and you don't have the strategy going in of, "Okay, I'm going to roll the dice on this, and then what's going to happen?" One of my very good friends and a client of ours is a CPA and he's also a controller for a large, publicly-traded company, and why he finally -- this guy was a total do-it-yourselfer when it came to investing and why he engaged us to actually manage his money, he said, "Internal controls," which is a word that they used in the audit and corporate world of, "What are our internal controls to make sure that we're staying disciplined as a company? What are the rules?" He says, "I realize I can't keep my own internal controls, no one can. The same way that when I bring up to somebody, I said, "Well, you just got those extra stock grants, and if we kept that certain amount that you had, maybe even let it continue to grow, but we took some chips off the table." Every time, half of them got liquidated, some strategy. So, it's like, "Okay, you'll keep selling, keep selling," and when are we going to unload all of them? "Well, when I no longer work here." "Great, but then we're going to build your balance sheet also and not just count on that one," but not because, and here's the problem of most financial advisors. People say they don't want to work with a financial advisor because they feel like, as an entrepreneur, what they're going to hear is, "You need to take all the money out of your company and not do that," or the real estate investor is going to hear why you shouldn't invest in the stocks. You should invest in the market as a versus.

No, this is an orchestration. I've had a chance to take my kids to the philharmonic here recently, and my favorite thing about listening to classical music is the very beginning when the conductor walks out and, of course, all the instruments are making god-awful noises, they're tuning up, it sounds like the screams of demons coming from the orchestra pit, and then they step up and they just tap that baton and bring everybody to attention, everybody comes together.

That's what we need to do to find answers. It's not this tool is bad against that tool. It's we need those two tools to work together. There are times when the drum needs to happen and we need to focus on the drums, and there's other times that needs to be the flutes. But, all of the instruments are all there all the time and they need to be able to play well together, and that's what we really look to do in our design process. So, if you found yourself in the position that how you are going to. Why? What's our -- Why Should We Talk?

Cory: Yeah, Why We Should Talk.

Paul: I don't know why it's having a hard time sticking with us. Why We Should Talk is if you're thinking, "I'm going to go buy X," as some kind of speculation, it would make sense to make sure your overall financial life has a disciplined financial strategy to go along with whatever degree of speculation you're going to do. I want to just wish all of you luck because I know that, right now, some of you may be market -- we're constantly marketed to. I can't tell you how often in my -- if I go on Facebook, something about Bitcoin's coming up, and why you should invest in it, why you shouldn't, and it was the same thing with real estate back in the day, it was the same thing with tech stocks before that. It will be something else, if not this. And the question is, are you investing or are you speculating, are you bringing human capital to the table, and when it's all said and done, is it really going to help you design and build a good life. We certainly hope that this episode has helped you design and build a good life. Cory, if they want to get ahold of us, they can get info.

Cory: Oh yeah, the white paper. So, we've got a white paper that we've developed as a way for folks to just get some core starting strategies that we believe in. So, it's called "Money Where Humanity and Hard Numbers Meet". So, they can go to Humanity.sfgwa.com to download that white paper, and if anything you've heard today prompts the desire for a one-on-one conversation, just email info@sfgwa.com and write the world "philosophy" in the subject line, and that will get machines moving to get you connected to us.

Paul: Right on. Hope you guys all have a great rest of your week. So glad you could join us today, and remember, when somebody says, "I'm going to buy Bitcoin," just ask him, "Are you speculating or are you investing in your ability to design and build a good life?" Take care.

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