



Retirement *Lifestyle* Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Kerry Lutz
Financial Survival Network

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Retirement Lifestyle Advocates
961 Four Mile Road, NW
Grand Rapids, MI 49544

Phone: (866) 921-3613

Email: info@plplanners.com

Website: www.RetirementLifestyleAdvocates.com

Dennis Tubbergen:

Welcome back to RLA Radio. I am your host, Dennis Tubbergen. Joining me once again on today's program is returning guest Mr. Kerry Lutz. Many of you'll recognize Kerry as the founder of the Financial Survival Network. I would encourage you to check out his podcast. He is a prolific broadcaster on all things economic and investing. The website is financialsurvivalnetwork.com. There's also a free newsletter that you can subscribe to on that site. Again, financialsurvivalnetwork.com, I encourage you to do that as well. Kerry, welcome back to the program.

Kerry Lutz:

Hey, pleasure to be back with you, Dennis.

Dennis Tubbergen:

Well, Kerry, let's just jump right in. When you take a look at the March inflation report, it was a bit hotter than the policymakers maybe would've liked to see it. Where do you think the Fed goes from here?

Kerry Lutz:

You always know that something bad is amiss when it says experts are disappointed, inflation rate exceeds experts' expectations. Who are these experts? And how come they don't go to me? I'm an expert. I could have told them that inflation was going to come in hotter. It was inevitable, and yet these experts can't figure this out, Dennis.

Dennis Tubbergen:

So, Kerry, what do you think the Fed's policy is going to be moving ahead? I mean, if we look at the fact that this is an election year, that probably doesn't play into their policy, does it? We'll answer that maybe in just a second, but do you think they'll catch up with the rate cuts in June?

Kerry Lutz:

Yeah. Well, they're kind of caught between a rock and a hard place, but I've been reading for years how the Fed is always in a box, right? I mean, you've seen it yourself, right? The Fed's in a box, and somehow, they've managed to get out of that box over the years. But the situation has been deteriorating, and when we were kids back in the Reagan years, it's like people cared about deficits. Even during the Clinton years, they cared about deficits. Now, evidently, deficits don't matter anymore, right?

Dennis Tubbergen:

Well, and it's amazing because Kerry, I spoke at an event last night as we're recording this and I asked the 60 people or so that were in the audience, "How many of you think the US government actually ends up paying even most of its debt?" And nobody raised their hands. So, it's almost like it's not real and nobody really understands what the ultimate consequences of all this debt might be. What do you think the end game is here? Why should people be concerned about this?

Kerry Lutz:

Well, the end game is default, but default comes in different flavors, Dennis, as you know. There's default where company can't meet its obligations and closes its doors, goes bankrupt, or they go bankrupt and they close their doors or they reorganize so they don't close their doors. But the US prints its own money, so it's very simple for it to default by inflation. Inflation is really a partial default on the debt because you're paying back the same number of dollars, but they're worth less. And effectively, you're paying back less than what you borrowed, and that's the definition of a default or a renegotiation at the very least. Right?

Dennis Tubbergen:

Yeah, and as you were talking, Kerry, and I think you maybe subscribe or identify more closely with the Austrian School of Economics as do I. I was reminded of a quote that Ludwig von Mises had, and I'm going to butcher the quote here, but I'll paraphrase. There's really no stopping the financial crisis that comes as a result of credit expansion. You either, one stop and you have a deflationary depression or two, you continue, and you destroy a currency. Are those the two options that we really have here?

Kerry Lutz:

Hey, if there's another option, Dennis, I'd like to know what it is. I'm just not seeing any options here. And Ludwig von Mises, the great, often referred to as the father of the Austrian School of Economics said, "No other entity can take a perfectly valuable commodity and make it worthless by put it ... Take a valuable commodity like paper and make it worthless by putting ink on it."

Dennis Tubbergen:

Yeah, sad but true. Scary but true. Well, when you look at the economy and just look at some of the stats, one of the things that's really been catching my eye of late is the fact that by many sources, we've got almost a trillion dollars of commercial real estate loans that are going to have to be refinanced yet in 2024. Could that be the straw that breaks the proverbial camel's back here?

Kerry Lutz:

Well, the problem is that the US is just one of many camels, and the rest of the world is doing so much worse because we are the reserve currency that ... I don't know what it's going to take to break the back of the camel. It's coming. But the thing is, if you notice the last few days, Dennis, the dollar has gone up and gold has gone up. And gold has been on a tear. Now it could just be geopolitical worried about war with Iran, but I think there's something more profound going on here than that.

Dennis Tubbergen:

That's interesting. If we dig down into that, what do you see going on here? Do you think this has something to do with maybe a gold-back currency on the horizon? Or is it as simple as central banks now have been accumulating gold at an ever-increasing pace?

Kerry Lutz:

Well, maybe that's the ultimate insurance policy, but no central banker worth his salt ever wants to see a gold standard, a real gold standard, because that takes all the fun out of the being a world controller here. All the central bank then becomes is a warehouse for the gold, and your money is a receipt, and you can change your receipt for gold or gold for receipt. So, the central banks don't want it, but it's looking ... They'll adopt the gold standard eventually when they have no choice, right? When they have no choice, then they will be forced to do it. But until that moment comes, they're going to fight it like worse than Lucy and Ricky on ... I love Lucy.

Dennis Tubbergen:

If you're just tuning in, I'm chatting today with Mr. Kerry Lutz. He is the founder of the Financial Survival Network. The website is financialsurvivalnetwork.com, and Kerry has a newsletter that's available there as well that I would encourage you to subscribe to. So, Kerry, when you take a look at gold, as you said, it's been on a tear, silver, right on its heels. What's Kerry Lutz's forecast as to where gold and silver may ultimately go from here?

Kerry Lutz:

Well, much higher. Silver is the better play because gold is trading at or near its all-time high, but silver is still trading at 60% of its all-time high, so it's inevitably going much higher. Silver, I foresee the day where it's triple digits and not that far off and gold maybe 5,000 or higher.

Dennis Tubbergen:

Wow. So, the other market that really is a little bit puzzling, at least to me, I love your take on this. When you look at the S&P 500 since October, you look at the Dow since October, both up within a couple percentage points, either side of about 25%, and yet it's hard to find economic news to justify that kind of a rise in stocks. What do you think's behind that rise?

Kerry Lutz:

Well, we've got flight capital coming in from all over the world. Everybody's scared to death of their fiat currency, and you got this huge flight capital coming out of China as they crack down, as their economy implodes. And Martin Armstrong, I call him the master forecaster. He has always said that the stock market would go higher. He was saying that at 18,000 Dow, and everyone said he was nuts. It hit 40, but it's going to go higher because where else do you put your money? You're a multinational bank or brokerage house, the only place to put your money to protect it against inflation and lack of confidence in the government is into the market, right? That's why we're seeing it.

Dennis Tubbergen:

Interesting. So, when you look at US Treasuries, the Fed's held flat, but just taking a look at the yield on the ten-year US treasuries since really December, just a few months, we've seen a pretty dramatic increase. What's your take on that? Is that just a sign that the rest of the world is saying, wait a minute, United States, you're not the best credit risk, we want a little bit more interest to compensate us for this increased risk?

Kerry Lutz:

Well, again, that's that box that we see ourselves in, and it's scary. No doubt. It looked like they said, oh yeah, six interest rate cuts, the experts were saying for this year. But now I'd be surprised to see one or two. But on the other hand, it is an election year and in election years, things happen that you never thought were possible, right?

Dennis Tubbergen:

Yeah. In fact, I would be very, very surprised if we didn't get some type of an election year goody-bag or giveaway program. And given that the general population thinks none of these debt issues are real, who knows how that might affect the outcome of an election if I can be cynical for a minute.

Kerry Lutz:

Hey, you can be cynical. We can all be cynical, Dennis. But no, seriously, it's like they got to do something. In fact, there was just a leak of a recording of a guy had written speeches for Powell, and Powell hates the former president. Evidently, there's a shocker, isn't it? And he did everything he could the last election to see that the former occupant of the White House was defeated, and he's just going to do his best to do what he can. I find it fascinating myself. I really do, because it's a shocker the things that happen here, right? Never ceases to believe, but I always thought the Fed was independent. Shows what I know, huh?

Dennis Tubbergen:

Well, I'm chatting today with Mr. Kerry Lutz. He is the founder of the Financial Survival Network. The website is financialsurvivalnetwork.com. I'd encourage you to check it out and also subscribe to the newsletter. I'll continue my conversation with Kerry when RLA radio returns. Stay with us.

I'm Dennis Tubbergen. You are listening to RLA Radio. I have the pleasure of chatting once again today with our returning guest, Mr. Kerry Lutz. Kerry is the founder of the financialsurvivalnetwork.com. If you're not familiar with his work, go to the website and check it out. Kerry has lots of broadcasts every week, talks to a lot of very bright people, and he's also got a newsletter there I'd encourage you to check out. So again, the website, financialsurvivalnetwork.com. So, Kerry, we talked about inflation. Just to maybe pick up where we left off, would it be fair to say that it's your view that we are going to see inflation continue to accelerate?

Kerry Lutz:

Oh, yeah. Yeah. That's baked in the cake. Dennis, we're both old enough to remember the good old inflationary days of yesteryear, right, when during Gerry Ford, Whip Inflation Now, during the end of Vietnam, these things go in cycles. They don't just happen for one year and then they go away. This is not the way stuff works here, and that's what you always got to remember. So, when they said transitory inflation, that was just a bunch of hogwash for sure. There's such a thing.

Dennis Tubbergen:

Janet Yellen came out and said she regrets using that phrase. So, she knew at the time that it was hogwash, and she has since apologized though.

Kerry Lutz:

So, the key to make money in inflationary times, but it is dangerous to play the inflationary wave. As Will Rogers said, probably well over a hundred years ago, "Invest in inflation. It's the only thing going up." And I've always taken that to heart. And when COVID happened, when they started the helicopter money, they immediately looked to buy a home as fast as I could. And I was able to do that. And now it's practically doubled in price. And not because I'm a genius here, but because I know history. And I knew that there is no possible way that this thing is just going away. It was just impossible. And it was silly to think that it could. But this is going to be here decade, multi-decade. It doesn't just go away.

But if it goes for less than a decade, it's because some disaster happened, like the dollar is no longer the reserve currency, and in which case, the dollar gets devalued. Asset prices continue to go higher. Look, who has made the money since the great financial collapse of '08 and '09? It's been the wealthy because they own assets.

Dennis Tubbergen:

Exactly.

Kerry Lutz:

But the way that you turbocharge it is to leverage an asset that you can earn income from, like real estate. So, what you do is you buy a bunch of houses or whatever and make sure it's in favorable rental markets. I wouldn't be doing it in the People's Republic of California. I wouldn't be doing it in the People's Republic or the once-free, the once-empire state known as New York. And mind you, I'm not giving financial advice; just saying from my standpoint how this has worked. And then if you can get an asset and somebody else pays the debt on it, you're going to see it appreciate as a result of inflation, and your cash flow is going to go up if it's that kind of asset, like a home where you can increase rents. And that's how you do it. It's really simple.

Dennis Tubbergen:

So, Kerry, when you say invest in inflation, would it be a fair paraphrase of what you're saying that you really want to invest in things that they can't print and that generate cash flow?

Kerry Lutz:

Yeah, and real estate's the easiest thing. Look, there's nothing without risk. And if we have some type of deflationary depression, well, then all bets are off. But if you can borrow 80% on a home, put down 20%, 25%, and then you can ... Even if you break even for the first few years, you've still got equity appreciation. You've got equity, you got pay down in the mortgage, and then you've got appreciation of the values going up. And I know people that are worth 10, 20, \$30 million who did this 20 years ago when I should have done it, and they're living high on the hog now, Dennis. And I'm happy for them. I mean, I'm unhappy I didn't do it for myself. But hey, opportunities come. There're always opportunities. That's the key. But here, this is, in my opinion, the best way to do it.

Dennis Tubbergen:

So, Kerry, let me play devil's advocate here if I could. We have commercial real estate that obviously, at least in my view, it's a disaster. It is going to decline significantly. Do you see residential real estate as holding up even as commercial real estate declines, or do you disagree with my position on commercial real estate?

Kerry Lutz:

Commercial real estate is eventually going to become the surprise performer. Okay? How do we say this? So, what happens is commercial real estate, right now, they can't figure out what to do with it in these cities. And I don't say in New York City or LA or cities that are going down the tubes. I do believe though there is an attitudinal shift taking place here in these inner cities that's going to blow everybody's mind, but eventually they're going to find a use for this stuff. I don't know what it is. Maybe housing immigrants. You take your pick. Like, the Empire State Building could be converted to condos in a couple of years because it's built in such a way that those places are desirable.

Now, the place sways, I couldn't live there. I'd get vertigo. But you know what I'm saying, right? So, I don't think you should be buying commercial real estate office buildings and things like that now, or shopping centers, but I think that it's going to be the surprise performer for those who can pick it up at 10 cents on the dollar now. And that's what it's going to go for, right? It's going to go for 10 cents on the dollar, Dennis.

Dennis Tubbergen:

In my view, absolutely. I agree with you completely. So, you would say that ... And if you're just joining us, let me remind you, we're talking today with Kerry Lutz. He is the founder of the Financial Survival Network. The website is financialsurvivalnetwork.com, and there is a newsletter I'd encourage you to check out there as well. So, you see residential real estate and commercial real estate behaving quite differently than over the next several years.

Kerry Lutz:

Yeah. Well, I wish I was the only genius that saw this, but everything's changed in the workplace. My kids, they have hybrid work, they go to the office sometimes. Well, one daughter has ... My son-in-law is totally remote. But my other kids who live in New York actually go to the office two, three times a week and work from home, which is great when you're raising a family. I mean, that is the best thing in the world, you think about it. You and I, we were working our tails off and our wives would go to the kids' shows and all that, and you try to get to them, but you never got to them enough. Imagine if you're working now, you'd never miss one of your kids' shows ever.

So that's why commercial real estate is dead in the water, and I don't see anything that's going to revive it. But there is a solution out there that you and I can't see yet that people with more money and smarter than us are going to see, and they're going to do this, which I think is cool because that's where an opportunity rests. But certainly, residential real estate, everybody needs a place to a roof over their heads, right? Everybody needs that.

Dennis Tubbergen:

So, Kerry, if I were to ask you residential real estate rental, real estate, gold, silver or something else, what would be your favorite asset class moving ahead?

Kerry Lutz:

My favorite asset class moving ahead; good question. So yeah, I think you should have a position in precious metals for sure. No question. You need to have a core position in it, and it should probably be a little higher now than it was before, but if you're ready to white-knuckle it through, I like the leverage and the inflation hedge that real estate provides. So, I would say I'd be put in a position in metals. Bitcoin, I'd have a position there more like

a lottery ticket. And the precious metals for me, I'm speaking only for myself here, silver and gold, a meaningful position there.

Dennis Tubbergen:

So, Kerry, since you brought up crypto in the time we have left, let's go there if we could.

Kerry Lutz:

Sure.

Dennis Tubbergen:

Voltaire, in the 1600s said that all currencies eventually returned to their intrinsic value. How do you square that up with the fact that Bitcoin, Ethereum and other cryptos are really just digital units of privately issued currency?

Kerry Lutz:

Well, go back to Milton Friedman and the libertarian stream really Misses everybody. It's always been to have competing currencies, right? So, Bitcoin isn't a currency now because it's not really a medium of exchange, but that could change quickly. So, when you look at that, they can't issue any more than 21 million Bitcoins. All right. And now that and the amount they could keep mining halves every few years. We're about to have one of those events now. So, you've got what Milton Friedman wanted, like the currency board where they don't allow the currency to increase by the population growth per year. So, the population goes up 2%. That's how much more currency you have.

The problem is the government is the one that does this stuff, and you can't trust the government to actually do what it's supposed to do. But the theory of the competing currencies and a limitation on the amount of currency that can be issued really is a plus because that guarantees no inflation. So, I see it as really the possibility of actually fulfilling that long-sought-after goal. But intrinsically, it's worth nothing. But why is gold worth something? Because people want it because there's demand.

I mean, if we decided tomorrow as a collective, the entire planet that we're going to use copper instead of gold and copper will do its same function or seashells, then that's what it comes down to. It's all demand. So, if the demand is there, and right now the demand, it's really questionable how long this can last, will it go ... But all I know is I found out about this stuff when it was seven bucks and now it's 70,000. So, I've been wrong the entire

way. Now I've bought it. I've dabbled in it over the years, made a couple bucks here and there and it's been okay. But let's face it, I haven't made the big money on it because I didn't see it, but now I see it.

Dennis Tubbergen:

Well, my guest today has been Mr. Kerry Lutz. He is the founder of the Financial Survival Network. The website is financialsurvivalnetwork.com. I'd encourage you to visit the site and subscribe to his newsletter as well.

Kerry, thanks for joining us today. Love to have you back down the road.

Kerry Lutz:

Hey, my pleasure, Dennis, you are always welcome on my show as well. Always enjoy our conversations here.

Dennis Tubbergen:

As do I. We will return after these words.