



Retirement *Lifestyle* Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Kerry Lutz
Financial Survival Network

Date Aired: October 15, 2023

Produced by:

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'm your host, Dennis Tubbergen. Joining me once again on today's program is returning guest Mr. Kerry Lutz. Longtime listeners will recognize Kerry as the founder of the Financial Survival Network. His podcast is absolutely a must listen. He has some terrific guests, and he is a very bright guy, economically speaking, works very, very hard and love to get his perspective. So, check him out at financialsurvivalnetwork.com. And Kerry, welcome back to the program. Thanks for joining us again.

Kerry Lutz:

Hey, Dennis, it's always an honor to be on your show.

Dennis Tubbergen:

So, Kerry, give the listeners your take as to the health of the US economy as we're recording this in the first week of October.

Kerry Lutz:

So, it's so funny, Dennis, your perception of the economy, I guess has to do with how well you're doing. Although I'm doing, knock on wood, okay, I have no complaints. But I'm talking to a couple people who really despise the former occupant of the White House and think that things are fine now, and I didn't want to get into a whole fight over it, but when I look around, I see the banking sector really hitting the skids, the emergency lending facility, emergency discount window at the Fed, which is aimed at keeping these banks afloat every week, it is record amounts being loaned to these banks to keep them afloat.

And look, maybe unemployment isn't so bad. I was just in New York City, it seems to me that hyperinflation has arrived in New York City, a taxicab ride that a few years ago was \$10 is now 30 to \$35. I went to pick up some sushi that somebody had ordered, and I got this little, tiny bag that you would get a plastic bag from the supermarket, that feels empty, and that was \$175, Dennis. So, inflation is alive and well, regardless of what the numbers say, and the precariousness of the system is clearly on display. But I like to say that the US dollar is the best-looking house in Baltimore.

Dennis Tubbergen:

So, Kerry, I want to drill down on inflation, but first you mentioned banking. The financial crisis of 2007, 2008 was really brought on by not only derivatives but also subprime mortgages and worldwide at the time, at least based on the research I've done, we had debt of about 100 trillion. It's now

about triple that size. So how do you perceive the health of the banking system now as compared to the time of the financial crisis?

Kerry Lutz:

That's interesting. Well, obviously subprime is kind of in the past, unsound lending procedures, programs really fed the fire. Artificially low interest rates certainly did. So, it's not the same. We're not going to have a massive real estate bust unless we get massive unemployment, which is always possible here. I just see that really, it's a different challenge, but it's the same challenge, and that is the debt that you can't print your way to prosperity, you can't borrow your way to prosperity. When they give people money, what do they do? Yeah, they pay down some debt, but they go out and buy new flat screens and new cars and all of this, and that is not a way to build wealth.

Robert Kiyosaki says "There's good debt and there's bad debt. Good debt is debt that helps you make money, earns you a return. Bad debt is debt that just costs you money and really doesn't give you a return." And it looks to me like there's a lot more bad debt out there, Dennis, than there is good debt.

Dennis Tubbergen:

So, Kerry, revisiting the inflation topic that you brought up with some eye-popping examples from your recent trip to New York City. I look at the fact that the US government has to refinance about \$7.6 trillion in debt over the next 12 months. And on top of that we've got a \$2 trillion deficit. So, for round number purposes, let's just say there's about \$10 trillion that's going to have to be financed or refinanced, give or take a half a trillion in the next 12 months. It seems to me that that's going to be difficult to do without engaging the proverbial printing press and that might feed inflation again. How do you see that?

Kerry Lutz:

I just see that there's no end in sight. They printed up so much money during the pandemic that really inflation's here to stay. If we go back to the last inflationary run-up in the '60s and '70s and into the early '80s, it's a cycle. It doesn't just get shut down because they raise rates for a year. This is something that's going to be with us, I think, for at least a decade and perhaps a lot longer.

Dennis Tubbergen:

So, Kerry, typically prices don't go back down, if we're talking about just consumer prices as you illustrated just a few moments ago, that inflation stays there and then new inflation builds on top of that. So how do you see this affecting the average person that wants to save for retirement in an IRA or a 401K? Do you see a path forward for someone that might be listening today saying, "This is scary, how do I get ahead here?"

Kerry Lutz:

Well, when the pandemic came, I said, this is the best time ever to be a debtor because you can get this 2.5% mortgage, 3% mortgage and buy assets that can earn you a return. Now we're shifting to the point where perhaps asset values are going to decline. And in that case, there's the old saying, "In bad times you should be more concerned about return of investment than return on investment." And I think that's where we're heading now. Short-term treasuries still, if you've got real estate and you can earn a return on it, it's probably going to be okay, but everything is going to be getting more expensive and it is getting more expensive. Taxes will be going higher. So really you got to be defensive, and look, if you can earn a return on debt, that's great, but if you can't, you need to get rid of it because just not paying the interest on the debt is a return in and of itself.

Dennis Tubbergen:

Well, I'm chatting today with the founder of the Financial Survival Network, Mr. Kerry Lutz. You can learn more about his podcast at financialsurvivalnetwork.com. I would encourage you to do that. I check it out frequently.

Kerry, you mentioned declining asset values, and I'm assuming you're referring there to traditional assets that people would use to not only store, but also build wealth like stocks and real estate. What's your ultimate forecast here for stocks? Where do you see things going?

Kerry Lutz:

Well, it's a peculiar situation because if they flood the system with liquidity again, the Fed panics. I remember one time in Barron's I read, it was just an editorial, but it said, "The Fed is doing what the Fed does best and that's getting a president elected." And the implication is there, they have their favorite candidate, they want them elected or reelected, so they flood the system with liquidity.

Here it's an issue because the rates are high, they're going higher, and if they do that, the dollar could potentially take a major hit if it's not coordinated with all the other world's economies. China's already cutting rates. Maybe it's a matter of time before everybody throws in the inflationary towel trying to control it or minimize it, and they just say, "You know what? It's better to deal with inflation than it is to deal with a complete global economic collapse."

So if the US starts cutting rates, I think it'll be in conjunction with all the other central banks in the world, and I don't see where they have a choice because if rates keep getting higher, Dennis, then the debt, just what we pay on interest on the debt, it's 700 billion now according to Michael Pento, and I never argue with Michael's numbers, it could easily go up to a trillion and a half if the rates go higher. So eventually they're going to have to cut rates if for no other reason than election meddling, Dennis, they're going to do it and higher stock prices, all of that.

So if they cut rates, then stock prices will go up, but the value of the dollar will go down. Did you really gain anything? Then if they cut rates, then real estate becomes very attractive because the rate of inflation will be higher than the coupon on your debt, which means you're effectively being paid to take on the debt. And it's what my friend Jason Hartman calls, the inflation-induced debt destruction. And in which case, look, I don't believe that the rate is as low as they say, 5%. I think it's probably closer to 10 right now.

Debt that you can borrow and earn a return on will become all the more attractive. We'll have another real estate boom and there won't be any inventory at all if they keep raising rates. Exact opposite, we will see a crash in asset values and we'll see a deflationary trend and inevitably some type of collapse, whether we can export it or not this time or whether we feel the brunt of it. I don't know the answer to that, but that's what I see.

Dennis Tubbergen:

Well, my guest today is Mr. Kerry Lutz. He is the founder of the Financial Survival Network, and he is the host of the podcast that you'll find there as well. The website is financialsurvivalnetwork.com. I'd encourage you to check it out. I'll continue my conversation with Kerry when RLA Radio returns, stay with us.

I'm Dennis Tubbergen. You are listening to RLA Radio. My guest on today's program is Mr. Kerry Lutz. He is the founder of the Financial Survival Network. I would encourage you to check out his podcast. He is a prolific

podcast producer. Financialsurvivalnetwork.com is where you can learn more about his work and I'd encourage you to do that.

So, Kerry, in the last segment, you talked a bit about the fact that people probably moving ahead need to be a bit defensive. When you say people need to get defensive. Can you give us a couple thoughts or strategies, just generically speaking as to what you're referring to?

Kerry Lutz:

So basically, I don't give financial advice, buy or sell, whatever, but for myself, if things go the way they're going now, then the stock market is not looking good because we'll have a decreasing money supply, and we will just have less dollars chasing the same number of assets. So, I see defensive as perhaps precious metals for me or perhaps real estate in stronger markets because there is no one real estate market in the country. There are hundreds of markets, but some are far stronger than others, like in Florida, like Texas. In the south part of the country, in low tax states, they're growing much faster than high tax states. The growth rate of Florida compared to New York; I mean Florida is now the financial capital of the United States. Martin Armstrong stated this, Miami is the financial capital. That's where all the money's heading to. And Miami means from Miami Beach, the city of Miami up to Palm Beach County, that's the Miami metro area. Hedge funds have moved there. Goldman Sachs' most profitable division has moved there, and the money is just pouring into this state.

So, if there's a recession, maybe we get zero growth here for a while or sub 2% growth, but we don't have as big a recession as the rest of the country. So, I think you have to be prepared for that. I do like resources because I do believe that no matter what happens, the price of energy is going higher. I've been an energy bull for quite a while. I like Nat-Gas right now, it just hit three bucks. To me, Dennis, Nat-Gas is more accurate than any meteorologist on the planet or all of them put together. Nat-Gas always knows when we're going to have a bad winter, at least two weeks to a month before the rest of the world figures it out.

So, resources, copper's down right now, gold is down, but if inflation picks up, then they're going higher. If the dollar becomes precarious, if the debt, the government debt, sovereign debt around the world really becomes shaky, then people will flee to gold and perhaps Bitcoin not, a raving cryptocurrency bull by any stretch. I think it's a market like any other, but there's enough money pouring into it. When people get scared, as a perceived safe haven, that price is probably going to go higher.

Dennis Tubbergen:

So, Kerry, in one of the scenarios that you just laid out, the Fed goes back to a more accommodative policy. They go back to an easy money policy, in which case you said that you could see stocks going higher, you could see real estate going higher again. But when you think about that policy, I've studied history. When you look at John Law's France, when you look at these types of policies, you can only go so far with that policy before people lose confidence in a currency, and there's a lot going on around the world currency wise. Now, the BRICS threatened to roll out a gold backed, or commodity backed currency. They did not do that. But how much longer can the Fed play this game before people go, "Wait a minute, I don't want dollars. I don't want yen. I don't want Euro."

Kerry Lutz:

As a wise man once said, "The market can remain irrational much longer than you can remain solvent." The problem is that where are you going to put your money? The Japanese yen, the Yuan, all those BRICS countries had the worst performing economies over the past decade for the most part. And the concept of finding an alternative to the dollar, a fiat alternative, or even what they say, commodity base. Nobody trusts the Chinese at this point. They're the ones that could implement it. But if we have a gold-backed yuan, do you trust them? If you buy Yuan, you'll be able to convert it to gold. Nobody trusts them. They don't trust Russia rightly or wrongly, even though Russia, from a balance sheet standpoint is probably among the stronger countries in the world because they don't have a lot of debt, although we don't know what they're hiding from the war.

The concept of an alternative to the dollar doesn't exist at the present time. That doesn't mean it won't exist. And I'm not poo-pooing the BRICS based currency because any port in the storm, I just don't see what they're proposing as being a true substitute for the dollar. Like I say, the dollar is the, you could pick choose your analogy, the best-looking horse in the glue factory, the cleanest shirt in the laundry, cleanest dirty shirt, whatever you want to call it. It's there. The system still works at present, so they're going to stick with it until they can't anymore, because there really isn't a choice. That doesn't mean that the dollar is in violet and can't crash or can't become, as they used to say, not even worth a... I can't remember the name of the currency from the Revolutionary War-

Dennis Tubbergen:

The continental.

Kerry Lutz:

Yeah, that the dollar won't even be worth a continental. That is a very real possibility, but right now the money is pouring into the US for perceived safety because there isn't... you're a fund manager in Europe or Asia, and you got \$10 billion that you need to park in a bank over the weekend. Are you going to park it in China or going to park it at Deutsche Bank, or are you going to put it in JP Morgan Chase where the odds are good that on Monday you'll be able to get it, right? So where do you put your money?

So that concept of the alternative currency, really the cryptos kind of fit that as the best analog, but the governments of the world are not going to allow independent private cryptocurrencies to squeeze out sovereign currencies. I always say to people, oh, Bitcoin's great. It's going to replace the dollar. I said, what are you going to do when they pass a law in Congress saying that possession with intent to distribute Bitcoin will land you five years in jail? You still going to be trading it?

Dennis Tubbergen:

Great point. Kerry, I'd like to, just along those lines, just shift gears ever so slightly, as we're talking, the first week in October here, metals, both gold and silver have pulled back in price. It seems that when you look at the fundamentals of what's going on around the world with inflation, like we talked about in the last segment, that metals should be doing exactly the opposite. How would you explain this pullback in metals prices, if you even have an explanation?

Kerry Lutz:

Well, never forget that the price of metals is determined in the COMEX and the London Metals Exchange and all that. So, the paper price is what determines the physical price. In addition, there could be a liquidity event taking place, and when you get those margin calls, the easiest thing to do is sell your gold or your gold ETF, whether that's worth anything or not, but that will drive the price down. And cyclically the commercials drive out the dumb money, they pick it up at a discount, at a song, and then when it goes back up, they lock in their profits. So as long as this paper game is still going on, the price of precious metals will defy logic and common sense.

Dennis Tubbergen:

So, Kerry, do you have an ultimate forecast for metals? You mentioned that for you that was a good defensive strategy. Do you have a thought as to where metals prices might go?

Kerry Lutz:

I see them higher once we get through whatever. Well, look, there's two scenarios. One, the currencies collapse, deflation takes over, and then gold will go way down in price, but the real purchasing power of gold will go up dramatically, right? That's scenario number one. Scenario number two is they inflate, and the nominal price of gold goes up and the real purchasing price of gold goes up. So, either way, gold becomes more valuable in either scenario. It's just that in terms of how it's valued at this point in terms of fiat, that changes in both those scenarios.

Dennis Tubbergen:

So, Kerry, we've got just a couple minutes left in this segment. We started talking a bit about politics when we opened the first segment here of our conversation today. We just had a momentous event historically in that the speaker of the House is no longer the speaker of the House, first time a sitting speaker has been voted out. Seems like we're in for a pretty interesting ride here between now and a year from now when the 2024 elections are held. You want to be so bold as to make any forecasts as to how you see this playing out?

Kerry Lutz:

When it comes to politics after what's happened in the last 12 years, I consider myself trans, trans-political. I've gone beyond it. All right? You can't pin your happiness on what some corrupt politician in a corrupt city is going to do to protect your interest because just they aren't, and they're not in it for you. George Carlin said, "It's all a big club and you're not in it," and so you need to separate yourself from that. Look, I don't watch the news anymore on television. I stopped watching it back in 9/11 because I found it was making me really unhappy, and since I decoupled from mainstream media and television news, I'm a lot happier person. I think that's the best thing you can do is whoever gets elected, the big loser is going to be the American public.

Dennis Tubbergen:

Well, just for the record, I decoupled myself about four years ago, and I can tell you that it made me a lot happier too. So certainly, understand where you're coming from there, and I appreciate that comment.

Our guest today on the program has been Mr. Kerry Lutz. He is the host of the Financial Survival Network podcast. You can learn more at financialsurvivalnetwork.com. Kerry, love to have you back down the road

again. Appreciate your perspective, I know the listeners do as well, and thank you for joining us.

Kerry Lutz:

And I really appreciate you having me on and look forward to resuming our conversation in a couple of months when we see exactly what's going to happen.

Dennis Tubbergen:

Yeah, we'll certainly do that, and we will return after these words.