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The Solari Report

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1st Quarter 2023 Wrap Up: Equity Overview & Rambus Chartology with Tim Caban

Catherine Austin Fitts: Ladies and gentlemen, welcome to The *1st Quarter Equity Overview*. I am very pleased to be joined by Tim Caban, who has been with us before on the *Equity Overview*, and has agreed (I've Shanghaied Tim) to doing two or three a year). I'm very grateful because it is always a delight to talk with him about the markets and what is going on.

Tim Caban: Absolutely, and I thank you. It's a privilege, and I'm happy to be here. I look forward to having more conversations and doing my best to work with you to add value.

Fitts: We just sent the *Building Wealth Wrap Up* to the printers, and the PDF is up. So, we are going to be doing much more about *Building Wealth*. Of course, that is what you are; I think of you as a wealth builder.

Caban: Yes, that is part of it. It's bigger than that, but that is a part of it.

Fitts: Whether it's your stock portfolio or your chicken coop, you are building wealth.

Caban: That is true, absolutely.

Fitts: We are in Pennsylvania, which is your turf.

Caban: Yes, it's my hometown turf.

Fitts: It is April 27th. We are recording, and will publish next week, the first week of May.

I said to you, Tim, that I get a phenomenal amount of questions from subscribers about, "How do I find financial professionals?"

I finally came to you and said, "Can we sit down and do a detailed in-depth conversation about how to find financial planners and financial professionals?"

You said, "Yes."

So, this is not going to be the normal *Equity Overview*; we are going to focus on hard to find financial professionals, how to do a search, how to find the right person for you, and we will go through that in detail and then talk a little about how the markets have been towards the end. We are finance people, so we can end on a 'juicy' note.

Before we start in, do you have any things that you want to say – any thoughts or questions?

Caban: I want to say that what I hope people can gain out of this is to learn that there are financial professionals out there who they can work with and trust. It's just that you have to do a little work to find them.

Fitts: No, you have to do a *lot* of work!

Caban: Yes, but if you can find somebody, they could be very valuable to you. And find someone local to you so that you're not searching 'hither and yon' for one person in the world.

Fitts: I would say that you are looking to create a relationship, which is a very important asset. So, if you look at the financial professionals in my life, like my banker, I can go talk to my banker about anything; I can trust them, and I can get good advice. That is an asset. It's an asset to have that person be someone you can really talk to. But it takes time. It's like any relationship; it takes time to build it. You didn't just find your husband overnight; it's not like a pizza that you can order.

Before we dive into the financial part, let me say that there are two things that *Solari Report* subscribers care about; they care about health freedom, and they care about financial freedom. One thing they can do if they are concerned about health freedom policies comes from a question I asked you about what you would recommend. So, let's just dive in. If you are worried about where they are in terms of health freedom or financial freedom, you can clear that before you visit.

Caban: Right 'off the bat', we are still at the tail end. I think the place that requires masks anymore is our hospitals. Even many doctors' offices now don't have them anymore, but it's still in the public discussion, 'so to speak'. So, I don't think it's unreasonable to ask straight out, "Do you have COVID policies? Do I have to wear a mask if I come to see you? Is any of this relevant to me coming to meet you? Please tell me now because I want to know."

Then you can just say, "No thank you," and move on to somebody else.

Fitts: I would also ask if you would take cash or gold as payments.

Caban: I would personally, as a financial advisor. I'm not aware of any prohibition – regulatory speaking. I think the bigger impediment is just that many advisors don't work that way.

Fitts: For record-keeping, it's much easier to not. I can understand that because if you look at the fee levels, most people don't have that kind of cash.

Caban: It's also the model, and we will get into this. If you are charging a percent of assets under management, that is harder; you have to sell assets. They typically do sell assets when your assets are under management. So you could do it that way.

In effect, that is cash; it's paying cash; it's just not hard cash.

Fitts: There is a world of disclosure available on any financial professional. Before you decide, there is plenty of research you can do about a person.

Before you make an appointment, before you go, what can you get in terms of disclosure?

Caban: I think the first thing to understand is that there is no legal definition of what somebody can call themselves, whether it be a financial planner, a financial advisor, an investment advisor, or an insurance advisor. Most financial professionals would try to use a term such as financial advisor if they are trying to be on a higher end type of offering. Within that, there can be many different people meeting that title in all different ways.

The portion that you can do ahead of time is to understand that it's not as easy as just saying, "I need to look for somebody that says 'financial advisor'," because that is effectively meaningless. But the question is what do I want to achieve? I might look for a financial planner. How do I look for that? I might look for an investment professional. How do I look for that? To narrow it down a bit – and there is an SEC website and a FINRA (Financial Industry Regulatory Authority) website –if you look at a financial advisor near you and want to check them, you can go to the website. At a minimum, at least check to make sure that they don't have any disclosures of problems or complaints.

There are some other things on there as well.

Fitts: The SEC and FINRA have the ADV (Uniform Application for Investment Adviser Registration) brochure for investment advisors and money managers. So some people give advice, and some people manage money; it's two different things. Over here in the advice world, there are many different names.

When I was an investment advisor, I was distinctly called an 'investment advisor', and I wouldn't say that I was a financial planner. Texas forced us to do it even though we insisted that we weren't doing financial planning.

Caban: Yes, in Texas you have to register with one client, which is different from other states.

Fitts: Texas was always interesting.

So, you have one basket, which is advice. The other basket is managing money. Sometimes the people who manage money also give advice, but sometimes they don't; they only manage money.

It's peculiar to hear a money manager frustrated because all of his clients are trying to get advice and he can't give it. So you're right; you have to 'unpack' exactly what the services are that you want, and then how does it match up?

When I go to the ADV brochure system, does that have financial planners as well?

Caban: Yes, it has anybody who is registered as an investment advisor. I'm registered as an investment advisor through the State of Pennsylvania, but not everyone is. So it's plausible. You can check on these different websites, but there is a whole section of people out there.

For example, if someone is a broker at Merrill Lynch, they don't have a form ADV because they are a broker who makes their money by selling stock, which is a more old-school, traditional way to do it, and then making a commission.

So, we will talk about how to identify those people. I believe the clearest way to identify them is to understand how they get paid to ' weed out the forest for the trees'.

Fitts: So, a broker is paid by selling you things?

Caban: Yes.

Fitts: A fee-only planner is paid because you pay them the fee, and then they give you their best advice. A money manager is usually paid as a percent of the money they are managing, so it's a percentage of the fee.

Caban: From a payment standpoint, I would call money managers and financial planners that have a fee as 'fee-only'. Then brokers like Merrill Lynch are commissioned. The confusion comes in the middle because there are people who are in the middle. There is a term called 'fee-based' which, in my view, was created to confuse people.

I would say that instead of them being called 'fee-based', I would call them 'fee and commission'. It's a very nuanced thing because somebody can say, "I'm fee-based."

I have people who call me and say, "I know you're fee-based."

I say, "Let me explain this to you." Fee-based, typically fee-based financial advisors had some business they came out of. It's not wrong, but if you can understand it and have disclosure and know what you are getting, maybe it's good for you or not.

For example, if somebody was selling variable annuities and they have what are called trailing commissions, and then they become a financial advisor, and they say, "Now I'm going to do financial planning, and I'm going to have a fee," they don't want to give up the payment stream of those. So, in that case, they are fee-based, or they are fee and commission. That is where somebody is a legacy commission.

There are people who are active commission. With them, you say, "I'm a financial advisor. I'm going to give you advice, and all my advice revolves around variable annuities." If they outwardly say it, it's because that is how they get paid.

You need to understand if they are even on the ADV. That is a good initial cut because that means people are either a traditional investment advisor doing assets under a management type of managing money, or you will find the fee-only financial planners there. So, I would suggest that you want to have somebody who has a form ADV. That is the simplest way to make a first cut.

Fitts: I believe that is part of it because you have a baseline of disclosure.

Caban: Yes, and you can compare apples to apples because the format of that form is dictated by the regulatory agencies. So, you are required to list certain things in a certain way on that form.

Fitts: Let's assume you go to your state commission and do a search and find everybody in your state. Some are going to be on their own or associated with small firms, and some will be in big firms. So, when it comes to financial planning and helping to get advisor for you, do you care if it's a big firm or not?

Caban: There are pros and cons to both. For example, I'm an individual, and I'm not being dictated to by a bigger group, but then the risk is when people say, "Tim, what if you get hit by a bus?"

I have a succession plan, but I would say that if you are part of a bigger firm, it doesn't mean you necessarily can't help the person. They might just have more influences where they are limited in what they can say.

Fitts: You are being nicer than I am. I'm deeply prejudiced because occasionally, you will have somebody that works for a big firm. They might run the local office in a certain county. A rural county in Florida gets left alone and must do their own thing, and they are fine. In many cases, in the last 20 years, corruption, institutionalization, and centralization are pushing things. It becomes intolerable for anybody who is really going to be committed to the best interest of their client and look at their client as an individual with unique needs instead of a member of a 'blob'.

All the good people I've seen have gone out on their own or to small groups.

Caban: It could be a small ensemble, too. It doesn't have to only be one person. Definitely, the smaller and the independent firms are not under this control. That is one thing that you can ask, " Are you under a larger group, or are you independent?"

It could be, "We are two people. We are partners, and we are independent," or it could be, "We are two people in an office, and we are part of a bigger group." I don't want to say names, but there are different groups out there.

Fitts: I think that you are choosing an individual, and are choosing to have a relationship with that individual. You have to focus on this individual.

I must say one other thing. (I can do this; you can't.) All my life, I've been willing to pay significant fees for financial advice, such as for a CPA. I've never been price conscious when it comes to getting the best advice. I can't tell you how many times that has saved my life. It's unbelievable.

Caban: I would relate it to my own experience of maturing in my life. So, when I was a young parent at home buying tools, I might buy a cheaper tool. Then I would learn after two years that I had to buy it again. Then over time, I think, "I'm going to buy a very quality tool," and it is still lasting 15 years later.

It is that same type of thought. It doesn't just apply in finance; it applies in quality versus not quality. I believe that buying quality matters in all aspects of life.

Fitts: During my first month at my summer job at Goldman Sachs, I was following one of the VP's in the corporate finance. I arrived at 7am, and the idea was that I was going to follow him around for the day to try to understand what he did. So, of course, he pulled out a big cigar and started smoking. He had five composition books – one for each deal he was working on. So, I spent all day listening to him talk to people about his five deals.

At the end of the day, he hung up. He looked at me with another cigar in his mouth and said, "Kid, trust me. Get a good CPA and a good lawyer. It will make all the difference."

Caban: That is very good advice.

Fitts: Yes, and I want to tell one silly story. I had a wonderful CPA for many years who just retired. She could do our last year's taxes– for the final year – but I was nervous. She had sold her firm to a new company, and I was a little nervous about that.

I hired the new CPA and I told them, "You are both going to do my taxes; you are both going to do my 2021 taxes, and you will double-team. This way I'm sure that the knowledge will transition."

Right before the filing, a series of things happened. We couldn't have her firm do it, so he was there. I paid double, but it was a very smart move.

Caban: Just by doing that, even if you didn't have a crisis or whatever happened, it's a much smoother way to transfer the information to make sure that it gets done right.

Fitts: The last thing that I want to bring up is: What is a family office? Some people do have a family office, or there is a family office, and they are able to come in. Explain a little about what a family office is.

Caban: Family offices are typically with much higher net worth people. At a high-end, you could look at things like Dell Computers. Michael Dell has a family office, and he hires somebody who happens to be a former Goldman Sachs person to run his family office. You may have big or small family offices, but they have a staff that is dedicated to maximizing the opportunities for that family. Typically, they might connect them with other types of investments that aren't available to the public.

Fitts: They are different, but they will vet all the different people and build a team. So, some people may have this opportunity. They're not Michael Dell, but Dell might invite a couple of families to come in.

Caban: They don't have to have a billion dollars, but they have significant wealth – enough to justify having a staff or somebody there. It could even only be two or three people, but they are people who are focused on you and your family. They are also looking at the transgenerational wealth. That is talked about in the book by Jay Hughes, as you've mentioned before. It's that type of approach.

Fitts: Everybody knows one of my favorite books is *Family Wealth* by Jay Hughes. It's about how to match up growing the people in your family and educating the people in your family and doing it in a way that is productive for the financial management. I love it.

My uncle, who I adored, hated it. He said, "Are you trying to turn our family into a corporation?"

I said, "No I'm not!"

Caban: You can do it without losing humanity. I think that is the whole point of it.

Fitts: Hughes' whole point is: Let the people be great about what they are passionate at. Some will be passionate about things that make money, and some will be passionate about other things. That's okay. You are trying to help them each succeed at what their passion is, and then he matches up the money.

Caban: I think another big component of that is the family and intra-family communication. The earlier you can bring in the younger people and get them on track for that way of thinking. I believe the way of thinking is the biggest impediment to implement.
Fitts: You want to teach your children to be wealth builders.

Let's start with the most important person, and that is the financial planner: You're a fee-only financial planner. What you are basically doing is that people pay you, and you are helping them achieve their goals.

Part of that is they come into you plenty of times and they want you to tell them what their goals are. You say, "No, no, no."

Caban: That is the most important thing in any aspect of life; you provide the vision. If you can provide the vision, organizing the pieces is very easy. That's the biggest thing.

Try to spend some time thinking about what is important to you, and your financial planner can help you start thinking about this. I might say, "Tell me something about yourself. What is important to you? What is something that you are concerned about?"

It might be through this discussion that you can help them come out with that vision.

Fitts: Would I go to the state system, or would I go to the FINRA system to find the financial planners in my area?

Caban: I would start on a local search because the universe of people in the state is too many. Look locally, and start in a small radius. You will find a few people. You may be in a very rural area, and there might not be anybody local. You may have to travel a bit, but start local. Understand that if you are in a more rural area and you check the local people, and there are problems in terms of what you are looking at or it's not optimal, it might be worth it to travel a little to meet a financial planner.

So, you look at those people, and then start checking them out.

Fitts: The ADV will let you look by state, and the state commission or the securities regulator will let you look by state.

Caban: Many states work together with the SEC website. You need only to look at one website, which is simpler.

Fitts: Can you use a zip code or a county?

Caban: That is a good question. I think you can, but I don't know.

I know that you can search by a firm name or by an individual. I don't remember 'off the top of my head' if you can search by a zip code or county. I'll have to look that up.

Fitts: You can also go through the Chamber of Commerce; the Chamber of Commerce in any town is usually quite good at helping you understand who their members are. Not everybody is a member, but many people are. Of course, there are also web searches.

Caban: I would do both; that is part of doing due diligence. Get plenty of different information, and then see if it all triangulates into somebody.

Fitts: I find that the most important thing you need in a financial planner is somebody you trust. They need to be competent, but you also need to be comfortable with them. I find so many people will interview a financial planner. They are clearly very competent, but they don't feel comfortable. The personal chemistry is not right, but they don't feel like they can say, "It's not right for me."

Caban: I think you should be confident in that and 'trust your gut'. If the feeling isn't right, say, "No thank you. Thank you for your time. This doesn't feel right." Or you don't even have to say anything. "Thanks. I'm going to interview somebody else," and then you never go back.

I would encourage people to 'trust their gut'. Trust is not something that you instantly get. It takes time to build, just like a relationship. I tell people, "Over time, I hope to earn your trust." You don't just give somebody trust; it's only as good as your last performance. It is always updated.

Fitts: Although from a regulatory standpoint, you have to share an enormous amount of information with them.

Caban: You do. I guess in that aspect of it, you have to go with your 'gut', but understand that you should always be vetting and checking. Ask them, "What are you doing with this information? Why do you need it?" That is fine to do.

They should be able to explain why they need the information. You do have to give plenty of information.

Fitts: You have to give plenty of information, and I am constantly beating on the fact that a financial professional cannot help you unless they understand you as a unique individual.

All the investment philosophy and regulation about, "You have to know your customer," is very good.

Caban: It is. Knowing your customer is the basis of a good relationship.

Fitts: One of the problems I ran into was the regulators required me to put more and more information in and make it available digitally about non-financial assets. So, if somebody had precious metals at home, I didn't want to put that information on the internet. It's one of the reasons I dropped out.

Can somebody stipulate, "I'm happy to share all this stuff, but can you keep it offline or keep it safe?"

Caban: Yes, I've said to you before that at least in my experience with being audited by the state, the requests that I've gotten for information have not been that broad. Maybe that is just my personal experience.

Fitts: Our last request before we shut down the investment advisory was overly broad. They wanted 100% of all client files. That went back and forth with my attorney. I said, "Your corporate contractors simply have criminal records, and I am not going to share this digitally with you. What I will do is deliver copies of the file to you in Nashville, but I want a signed certificate that only employees of the state will have access, and no corporate contractors will have access. And you have to sign that, or we are having litigation."

Caban: The other thing I would suggest is that you stipulate they don't make it digital. In today's world, you may take that into an office, and somebody could scan it, and now it's digital. Even though you gave them paper, they can make it digital.

Fitts: They had to say they wouldn't make it digital, it would not go into their digital records, they would keep it in a physical safe, and corporate contractors would not have access to it.

Caban: At least in Pennsylvania, the state has not had the best technology, so it's not even feasible to do – at least in my experience. Of course, it has been a few years since the last audit. But sometimes it's good to not have good technology.

Fitts: I couldn't agree more.

You've prepared some questions for a financial planner. Could you march us through some of them?

Caban: Questions for a financial planner:

1. What is your approach to financial planning?

I would suggest that when you ask these questions, you want to ask open-ended questions. You don't want to say, "Do you do financial planning? Yes or no?" You want to ask what, why, how, and then shut up, and let them answer. That is how you can 'get a feel'.

2. What is your experience and credentials, and how do they apply to me as your client?

I don't want to hear about how it applies to your standing in the world, but how does it help me personally if you are going to be my advisor?

3. What is your investment approach?

A famous person once said that the most important thing about an investment approach is that you have one. So, they should have one, they should be able to explain it to you, but then also ask if they are a fiduciary. That is a legal term that means: Are you legally required to 'stand in my shoes' as the client before your own? That is true of anybody who has a Form ADV because it is set forth in the Investment Advisors Act of 1940.

Fitts: So, you are obligated to do what is in their best interest, not yours.

Caban: Yes, that is our legal obligation.

4. Do you use individual stocks? Why or why not? Can I exclude certain stocks?

That goes together with the things that we talk about on *Solari*. "No, I don't want my money in JP Morgan Chase or Pfizer. Can I accomplish that with you?"

Any one of these things could be a deal-breaker.

5. Are annuities and insurance products part of your advice?

That helps you to understand who you are talking to and how they get compensated. It doesn't mean it's right or wrong, but you want to understand who they are, how they operate, and if they are offering annuities and insurance products. Are all of the solutions that are offered me going to be annuities and insurance products? That is the reason to ask that.

Fitts: You have probably heard me say, "I've never met an annuity that I've liked."

Actually, there have been rare exceptions.

When you say 'insurance products', there is an entire world of insurance that every person has to deal with, whether it's auto insurance, home insurance, and life insurance. Are you talking about financial planners whose expertise covers the full gamut of all insurance, or just those who don't?

Caban: This is not talking about property and casualty insurance or even life insurance.

Fitts: So, you are talking about insurance investment products?

Caban: Yes.

Fitts: Is there such a thing as a financial planner who can help you with the full range of insurance – not investment products, but insurance insurance?

Caban: Yes, but then the question is: Are they giving you the advice about the insurance, or are they selling it to you directly?

When they sell it to you directly, there is a conflict.

Fitts: Let's talk about our favorite: **Taxes.**

Caban: 6. Are taxes factored into your approach?

So many times I see that people will do things in an investment portfolio and then be surprised at tax time when there is a bill. I would say that most competent people would, at a minimum, include taxes to some degree. Then I think you actually want to try to evaluate the quality of that promise.

Do you factor taxes in? What is your tax knowledge? What is your experience? How do you know what you are talking about?

Fitts: To what extent do you want an advisor who is in the same jurisdiction as you so that they understand the taxes in that jurisdiction?

Caban: I think it's important. Or, they should be able to demonstrate they understand the taxes in your jurisdiction. There are all different ones. Pennsylvania has all of these 'crazy' local communities that have specific taxes.

So, you want them to be able to explain them to you.

If you are interviewing somebody in another state, you would like them to be able to explain the taxes in your state.

Fitts: There is a real benefit if you can find somebody locally because then you can find someone who you can talk to in person – not only by email or phone. But then they have a 'lay of the land' locally as well.

Caban: That's true.

Fitts: Next is **Compensation.**

Caban: **7. How are you compensated?** We talked a little about the terms, which are fee-only, fee and commission (called 'fee-based', which can be confusing), and commission. Ask about that, and see what they say. You could just ask them, "How are you compensated?" but you should understand these terms. Listen, and hear what the person says. Did they say, "I'm fee-only"? Did they say, "I'm fee-based"?

The more unclear the answer, the worse it is. The clearer and direct the answer, the better.

Fitts: You want to be completely clear on how the money works.

Precious Metals is next.

Caban: **8. Do you advise on assets like precious metals or bitcoin?**

You might want precious metals, and you might not want bitcoin. So, you may get somebody who says, "I do bitcoin, but I don't know anything about precious metals." That tells you something. Or they may say, "I do precious metals, and I'll talk with you about anything, but my advice is that you don't do bitcoin." That is what I say to people.

I would give them the opportunity to 'hang themselves', so to speak. You can ask, "Do you handle any of these things?" and see what their answer is.

Fitts: I had fun with John Titus a couple of '*Money & Markets'* ago. He said, "Give me one good reason to own bitcoin."

I said, "If you want to carry a large amount of money across the border and not get stopped."

He looked at me and said, "Oh my God, you're right; there is no good reason to own bitcoin."

What about **private placements at private equity business** advice? Many of my clients want to listen to an investment advisor who would have private equity opportunities or local investment opportunities and things that could get rather complex, or loans or deals that they would finance a child or invest in a child's business. So, you get many of these alternative, sticky investments.

Caban: That was a wide range you laid out there. For things that are private equity or they say, "I want to invest in a wellhead," or a gold mine or something, they would ask, "What is the extent of your advice?"

I would say, "I don't know everything. If we are going to go into those types of realms, I have other resources and people I could consult to help do the due diligence there." At least understand what their ability is to handle that, but also, what the limitations are. And then how do you handle something that is beyond your limitations?

The first thing that I would say is, "It's beyond my limitations. Here is how I suggest we handle it."

Fitts: It would also make it time-consuming. That is not within the fee, so it has to be handled someplace else.

For us, this next one is a huge one. I always say there is an **official narrative**, and then there is **reality**. We have many subscribers who want to have a financial advisor who understands both and can navigate both.

I've found that they don't know how to ask a financial professional if they can understand and navigate between the two in a way that doesn't put them at risk.

If you are a financial planner, you are subject to regulations, and anything you say can be quoted and misquoted and used out of context.

The question is: How do we have this conversation in a way that is professional and doesn't put one at risk, but gets to the bottom of, "Am I talking to somebody who understands reality as opposed to being stuck in the official narrative?"

Caban: Some of the things that I listed are things that you might want to talk with your financial advisor about. These are things like: **Missing money, FASAB Statement 56,** and the challenges with the **US dollar** and losing reserve status. Out of those three, I would start with the US dollar because it is the most commonly talked about, and it is not going to raise a flag of, "Who is this person, and why are they asking about these conspiracy theories?"

So don't start with that; start with the dollar.

Fitts: Yes, the dollar is about the deterioration of the Federal Credit, which is what the missing money and FASAB-56 is all about. So you can do that.

The other thing that I think you can talk about is the **corruption**. If you look at the polls, everybody is concerned about corruption. What the missing money and FASAB-56 is actually about is the fact that you can't trust much of the disclosure.

Caban: Just ask about that, which is how you get going on the discussion. Just dive into that, but in the initial discussions, stay in the dollar world. Then you can probe and see how far you go 'down that road'.

Fitts: The one I would stick with if I was doing an interview is I would start with the dollar. The dollar is losing market share. If that accelerates, what does it mean to me? How do I protect myself? Then I would talk about corruption because we've seen, in the latest bank workouts here in this country and the Credit Suisse workout in Switzerland, is the law thrown out the window. It's very scary. So ask, "How do I deal with the corruption?"

You can also worry about **war**. If you look at the drumbeats of war in a variety of different ways, that could happen. If we go back over 100 years in investing, war was always the big danger.

So just between those three, you can cover a lot of territory without saying or doing anything that would make someone nervous from a regulatory standpoint.

Caban: Even with war, you could ask, "Do I own stocks in Europe? What does it mean if there is a war? What happens to my investments?"

There are real examples that you can bring up that are very common.

Fitts: **Custodians.** This one is very important to me. If it's a financial planner and you are only getting advice, then the only custodian you have to worry about is: Where is your data?

If it's a money manager or they are helping you find money managers, then the question is: Where is your money?

Caban: To be clear, the custodian is where your money is held. There are brokerage firms that have a brokerage name, and then they say they 'clear through' the custodian. When you have the big, well-known names like Fidelity and Vanguard, the broker and the custodian have the same name. That is called 'self-clearing'. Then if you have an independent person, they might have my name, and it may be a place like Charles Schwab or Pershing. Those are big custodians.

You definitely want to know where your money is held. An example of somebody who was the custodian and was the investment advisor is Bernie Madoff.

Usually, your statement is going to come from your custodian. For Bernie Madoff, if you said, "Bernie, where is my statement?" he would say, "Hold on. I'll print it up."

You want to get your statement from the custodian as a third party, and you can check directly with that third party that your money is there. That is an important thing.

Then with custodian, the question in today's world comes down to: Who is my custodian? If it's a big custodian, should I be concerned about that?

I would suggest that you do want a substantial custodian because you don't want to play games with where the money is. They are all a part of it.

Fitts: They are part of the infrastructure. So, you will not have a good custodian that is not a huge firm.

Caban: Right. If you have a small custodian, there is a risk that something might happen.

Fitts: I would say that the Texas Bullion Depository is a small custodian, so I'm not that concerned.

Caban: They are. I guess you can never make a blanket statement.

Fitts: That's true.

How often do you meet, and what does the first year look like?

Caban: That will bring us to what we are going to be talking about and how broad their advice is.

9. In the first year, what are we talking about?

At the first meeting, I typically do a spending plan. If you are an investment-only person, then they would say, "The first year has four meetings of investments, and the next year has four meetings of investments." That tells you something. If they say, "We do investments, and then we do a retirement meeting, and then we do a tax planning meeting," that tells you something. So, listening and understanding what that would look like will help you create a picture in your mind and understand the type of advice that you are going to get.

Fitts: We just published the whole *Building Wealth* curriculum. Much of it revolves around integrating living equity with financial equity. One of the things I discovered when I became an investment advisor was that you had plenty of both money managers and financial planners who basically were trying to take and liquidate all the assets of the client and move them into the national security state. Then they only wanted to meet four times a year to tell you that you didn't have enough money and you needed to get more money to put into the national security state.

In the meantime, your children were taking out student loans and were not eating organic food and all these other stupid things were occurring because you needed $25 million in the national security state or you would not be safe. So, you are stripping your living equity to put a large amount of financial equity there, and the whole thing makes absolutely no sense.

Part of it is there are financial planners who understand that you are trying to optimize financial and living equity together, and there are other people who are only trained to put everything into the financial equity. So, you will have to sort that out. This is a question where you can help sort that out.

Caban: Part of it is just, "Are you building money for money's sake?" If your answer is, "We are going to beat the S&P 500 consistently all the time. That is the only thing that I am focused on," how does that tie into your living equity? I believe your financial assets should be subordinate to your living goals and your vision.

If you say at the first meeting, "I need to get to know you a little, and we will do financial triage. If there are things on fire, we will take care of those, and we will talk about taxes and we will review your insurance. That is one type of service."

If it's investment only, and the question is not even asked, "How does this relate to your life," that can be a differentiator.

Fitts: That is important to me. When I was first saving, risk management wasn't that big of a deal; there wasn't a great deal of risk. As long as you weren't stupid, there wasn't a whole lot of risk.

Now you can see one healthcare risk destroy millions and millions of dollars. So, risk management becomes much, much more important. Being smart about insurance and making sure that you have your complete insurance area covered – you know what you're doing and you've made your sound choices – that is much more important than it was 20 years ago.

Caban: It is. It's interesting even going through the process of getting a life insurance quote in today's world and looking at how the underwriting is handled and the questions that are asked. When I think about it from the insurance company's standpoint, I don't even think they are asking the questions they should be asking. They are focused on the old paradigm. They are not asking, "Do you have myocarditis? Did you have a vaccine? What are the implications there?"

That is going to affect the payout over the time of that company.

Fitts: We recently published an interview with Lucy Komisar, who did a deep dive into three insurance companies. Two had been bought out by private equity firms. So, an entire world of people has these insurance products. In the meantime, if you look at what is happening quietly to the credit of their institution, it is terrifying. They don't know it because they bought in at one price, assumed a certain credit, and that credit is being drained out the 'back door', and they don't know.

Caban: There is a local health system that I won't name, but it was run by private equity. The health system lost their nonprofit status because they weren't nonprofit; they were running a straight-up private equity business. They couldn't run the local hospital; they couldn't sustain it. The hospital went bust. They sold it to a different health provider, and when the health provider went in to take over the hospital, they couldn't do it right away because the private equity people had taken all the wiring out of the walls. The local community couldn't understand why that hospital wouldn't open right away. They had to explain to them, "We have to rewire all the walls."

So, there is some private equity issues that are very scary to me.

Fitts: It tells me that if you have an insurance product, you have to monitor it or you have to have a financial planner who will monitor it for you. It's not, "I buy it, and I don't think about it for 20 years." Those days are over.

Somebody needed a life insurance plus an annuity. I priced it with what I considered to be the best quality company in the country versus another one that was brought in by the broker to show me something more competitive. The difference was dramatic.

The competitive one looked much more attractive. I wouldn't have touched it with a 'ten-foot pole' because it wouldn't achieve the purpose. This one was a gold standard, and you had to pay out plenty for the gold standard.

Caban: Understand that insurance companies that are of a lower quality will lead with a higher payout to bring in business. The risk to that over time is that they won't be able to deliver on that promise.

Fitts: Like many of other companies these days!

Let's turn to **investment advisor**. There are the same questions: What is your investment approach? Are you a fiduciary? What is your experience and credentials? Are you open to things like precious metals and bitcoin? We are going through much of the same, but this is where the 'rubber meets the road'. Is there an area of focus for you like stocks or valued growth? How do you make investment decisions? Can I exclude certain stock?

Caban: That particular one may be more important as an investment advisor because different people have different approaches. As you said, they have certain styles. "We are a small value investor," or, "We are a large growth investor." You must understand that because if they are very narrow, you might like it and it might be appropriate, or it might not be appropriate. You might also need other things. So you have to understand that.

Fitts: For many people, they don't understand growth versus value. Those are financial terms. One thing that I always tell them is, "Investopedia."

A good deal of this is learning 200 words.

Caban: It is. The simplest way for me to explain value is: Lower priced stocks, growth, and value. The price of their stock is more in line with the value of the

company. It's called the 'book value'. Growth stocks are things like Amazon and Google. It's all the ones that you saw when the stock market went up after COVID, 'blowing the lid' off the stock market. The value companies are companies like Kmart and Spam (Spam in a can). That is a value company.
Fitts: Many of the complaints that I get – if we are talking investment advisor I am assuming that it is somebody who manages money – are from people thinking that they are going to get a financial plan from an investment advisor, and that is not what they are getting; they are getting somebody who manages money.

The annuities and insurance products come up. Do you find money managers doing many of these insurance products?

Caban: It's people who are associated with an insurance company. In the beginning, there is a document by the SEC that talks about variable annuities. Typically, you will get somebody who is an investment advisor offering variable annuities – which are insurance products that use investments – and they will offer things called 'variable annuities'. What you learn in the SEC document, which we can provide a link to, is that one of the biggest benefits or selling points of an annuity is tax deferral.

A tax deferral means that you don't pay taxes now; you let it grow, and when it comes out later, you pay the tax. An IRA offers tax deferral. If you put money into your IRA now, you might be able to take a deduction. It is going to grow and not be taxed. But when it's redeemed later, it will be taxed.

If you have an overlap of an annuity and an IRA, that is a red flag. There is an old saying from Willie Sutton who said, "Why do you rob banks? Because that is where the money is." By the same token, "Why do you put variable annuities inside of the IRA? Because that is where the money is".

When you do that, the risk to those – and this goes together with the insurance provider – is that those annuities have conditions that force you to lock the money up. So, you may be signing up for something. If you don't understand those lock-up provisions, it is very hard to get out of it without paying a large amount of money.

Fitts: The reason I say that I've never met an annuity that I've liked, with rare exception, is that if you look at what you can do with a very conservative fixed income portfolio, you can maintain complete control and build an annuity for yourself.

Caban: If you think about what the insurance company is doing, that is what they are doing; you can just do it for yourself.

Fitts: Exactly. The one thing that I would say, with any complex financial product- I consider annuities a complex financial product-is that you have to take the time to understand it, and you can't rely on anybody else; you have to know what you are doing.

Caban: I would say that every person should expect that they can understand any investment product at a fundamental level and have it explained to them in a way they understand. If they can't understand it, then they shouldn't do it. It doesn't matter if it's the best thing since sliced bread.

Fitts: So, how can I encourage people to feel confident they can demand that from a financial professional?

Caban: I think that' going down' the road of the commission will help, but basically it comes down to, "I just need to be able to understand this," and be confident in that.

Just say, "I'm not an investment expert. That is why I am coming to see you. But I think that I should be able to understand this. So can you explain it to me?"

Fitts: Have I told you the story about the mortgage portfolio? I had a wonderful teacher in Bible class in Washington. She came to me and said, "All my money except my home is in my 401(k), and I'm trying to choose these products in my law firm, and I don't understand them. The woman who runs it is really mean, and I feel stupid. Could you help me? I want to do this mortgage portfolio, but I don't understand it, and it's the only money I have, so I must understand it."

She showed me the prospectus, and it was on mortgages, so it was a mortgage portfolio. I was the former Assistant Secretary of Housing and a former partner at Dillon Read where I ran my own financial investment bank, but I couldn't understand it.

I said, "Can I get an appointment with the mean woman at the law firm?"

So, I got on the phone with her, and she was so mean to me. I was asking questions because I couldn't understand this mortgage portfolio. She was yelling and being nasty. Finally, I stopped her and said, "I don't mean to pull rank here, but I have an MBA from Wharton. I was a partner of a leading Wall Street firm, I was the Assistant Secretary of Housing, and I ran the mortgage markets for the whole country. Now I run an investment bank, and we are the lead financial advisor to HUD, and we did $10 billion of mortgage deals. So I'm not stupid. If I can't understand this, there is a problem."

Suddenly, she just broke down and admitted that she didn't understand it, which was why she was so upset with me.

I said, "Look, we are two smart women. We should be able to figure this out between our different skills together. We are a lawyer, an investment banker, and such." So, we spent the next half-hour going through it, and finally figured it out.

It was puzzling because you could tell that this product was intentionally designed to make it almost impossible to understand what was going on.

Caban: I remember being asked about an oil and gas investment, and I didn't understand it. I contacted somebody who does it for a living, and his only comment to me was, "I do this for a living and write these documents, and I give a scale of 1 to 10 on the clarity. This document has a level of 1 in terms of clarity."

That is what I said to my client, "I'm not an expert in this, but somebody who is gave this a 1 for clarity on the scale of 1-10. Therefore, if he can't understand it, I can't understand it. You can't understand it. So don't do it." And he didn't do it.

Fitts: I remember once trying to get a client a way out of a solar deal that was totally fraudulent. I couldn't get them entirely out, but I was able to get them partway out. The first flag was that the documents were so impossible to understand what they were doing.

Caban: That is one reason for family offices to have somebody to help them. Many of these things, those type of private equity investments and things, assume that you are wealthy. There is a specific definition of being a 'wealthy' person; it's called Regulation D. But they assume you can do the due diligence and that you have the capacity. So, the burden is on you to understand it.

Fitts: It sounds like it's too much work.

We go through the same questions like, "How are you compensated?" and then the other tricky questions. I don't think there is any change between how you would handle it with a financial planner and how you would handle it for an investment advisor. I think it's even more important that somebody who is managing money understands the systemic risks in the marketplace.

Caban: Yes, and the reason for some of this overlap is that you may not initially know what kind of person you are talking to. If you go 'down the financial planner road', and they are only answering things that sound like investments, then you say, "This is more of an investment person." Or if you go down the investment road, and everything they are talking about is annuities and insurance, then you can say, "I'm going to take a turn here."

Fitts: One of the things that comes up is you get these wonderful financial professionals who are busy their entire lives being successful, and then they 'look under the carpet' for the first time, and they discover reality. They get 'scared to death', and the next thing you know, they are like 'Chicken Little' declaring, "The whole thing is going to collapse tomorrow." They don't understand the system.

They understand that the official reality is not true. They've gotten that far, but they've become 'collapse nuts'. "It's all going to collapse tomorrow; it's the end of the world." Many, many times in the last 20 years, I end up trying to protect clients from 'betting the ranch' on prophecy.

"It's all going to collapse in the next three months," or, "I have a perfect black box, and it says such-and-such, so that is the future, and you can bet the ranch on that."

We do a great deal with **scenario planning** because my attitude is that the future is unknowable, and we should be inventing the future, not trying to predict it or bet the ranch on a given future.

How do you handle the people who come in in a panic and are overly afraid because somebody told them that it's all going to collapse? How do you handle that?

Caban: I try to handle it by bringing things into today's discussion and into the present. I will say, "Can we agree that things aren't going to collapse next week? Why or why not? If we think that they are, then tell me about that. Let's talk about it. If you think it's going to collapse within the next three months, what do you think is going to happen? Let's talk about that."

By talking about that, I will then say, "What if it didn't happen? What if this happened instead? Could you allow for the fact that maybe something else might happen?" Then I can start to help them.

Fitts: If you look at the numbers, their wealth is being stolen, and has been for the last 20 years every day by inflation. In other words, it's not a "big bang out there; it's right now, and it's eating you alive right now.

Caban: It's death by 1,000 cuts. So how can you stop getting cut every day to slow the burn rate on your assets?

Fitts: We talked about taxes and custodians. This next one is a great question: What limitations do you have on **advice to clients**?

Caban: I think that is a great question for everybody because everybody has limitations. If somebody says, "I have no limitations," I would wonder about that. There are always limitations, and that is just as important as what they do and what they don't do. That helps you to understand who they are.

You have to compare the limitations to your due diligence. You can think, "I do this," or, "I don't do this." Check the ADV or check the documents and say, "Your documents say this. Why doesn't this match?"

I would hope that what they say actually matches their documents, but it is a good way to double check.

Fitts: There used to be an expression on Wall Street that knowing your point of view was worth 80 points of intelligence. One of my points of view is that I don't like speculation. If you are going to speculate, take a portion and go play. Think of it as a form of entertainment. Maybe it works, and maybe it doesn't. There are ways of doing speculation. There are rules on how to do it smartly.

Caban: That's a great point that many people do. I also do it. If somebody is insistent on a particular speculation, we just give them a play account. I say, "Let's take a small amount of money, and let's do it."

I've done this with people over the years with different things like marijuana stocks or whatever. More times than not, it didn't work out.

Sometimes it works out; sometimes it can work out. It's not like it can never work out, but at least you're not putting all your money into it.

Fitts: For the big long-term pumps and dumps, it can work out. I've had subscribers who have said, "Okay, crypto is a pump and dump. I'm going to play it because I have a chance of getting my family out of California if I play it and I make money." They played it smart, and sometimes it worked.

Caban: But they went into it with the view that they were going to play it, and that it was fixed, and they were going to try to optimize it.

Fitts: I think that the person was an engineer who was very smart.

Let's get into questions for an **insurance provider**. If I want an insurance expert, how do I find it other than a broker? All of the insurance experts that I use are brokers. Is there such a thing as an insurance consultant?

Caban: There is; you can Google it. There is a handful of people who do consulting, and what they are consulting on are more expensive life insurance questions, and even evaluating investment products that have life insurance. For everything else, you probably will speak to somebody.
I would say to separate your insurance from your investments; understand the purpose of each. I would suggest that you are better off having insurance for insurance and having investments for investments and not combining them.

Fitts: I am always astonished at how little I know about insurance.

I have speeding tendencies, and Tennessee is one long speed trap, which means that I've taken four courses from state troopers in order to avoid points. They are very informative about how to drive and stay alive. So, I have learned plenty, but one of the things that they will go through is insurance and what kind of insurance you need.

I had one person who was clearly very interested in insurance. I learned in 15 minutes that I thought I had the best auto insurance in the world but realized I didn't after talking to him. I was at Farm Bureau the next day saying, "Wait a minute. I want to add a codicil to my insurance."

I learned a good deal about when people have accidents what happens and how to protect yourself with the insurance.

I think that it is very, very important to get the maximum out of your home insurance, your car insurance, and I am finding that with insurance companies, it is more and more important to have an honest insurance company and to understand exactly what you are insured for and what you are not.

Caban: It's one case. I've talked about brokers in a negative context with investments, but I've found that local insurance brokers are remarkably good because they're not captive to one agency. They will look across and say, "This company offers this, and this company offers this," and it naturally leads to the discussion of why this one is more expensive or not, and if this has more coverage or not. So, they are in more of a natural position to evaluate and give you advice as an insurance broker for property and casualty and things like that.

Fitts: This is an area where you have to invest the time, and it takes time. I think that most people buy insurance and say, "I've got car insurance, and I don't need to think about it."

Caban: You can. I say that you can optimize the insurance that everyone has – property, casualty, and auto. Learn about that; learn about what your deductible level is and what comprehensive is and what collision is.

Fitts: I've written articles about this because I went for about ten years with no health insurance. I chose to do it and ended up doing one of those Christian self-insurance groups, which was very good. But if you look at reports from doctors, the insurance companies have to pre-qualify everything they do before they do it, and they are still only getting 25-50% reimbursement, and it's war. More and more doctors are saying, "You are liable for your bill. We will submit it to the insurance company, but if they don't pay, you are liable."

I hear that in the subscriber groups many people are walking away and saying, "The whole thing is a fraud. We are out," and they will do a self-insurance group. I've even had subscribers who moved to foreign countries because the foreign healthcare system is fantastic compared to ours.

Caban: In my experience, you can do plenty by taking steps on your own. It's not everything. There are certain things you need a doctor for, and you need more expertise. But at the core of personal health, much of it is things you can do on your own; you have to learn about it and be willing to do it.

Fitts: We had a wonderful subscriber and a team member go to the latest Joe Dispenza week-long retreat where people get these amazing healings (ground themselves in future positive emotions), and they are healing themselves. It's back to, "This is more economic."

Caban: It absolutely is.

Fitts: I received an email from a subscriber saying, "This is the future. The pharmaceutical industry is toast."

Caban: Absolutely.

Fitts: That is good news.

What are the upfront and ongoing **commissions** in the insurance products that you offer, and will those be made transparent to me if I decide to engage in one of them?

Caban: That is very important. Understand that there are two categories of fees on an insurance product that is an investment. There is an upfront commission, which they will probably not tell you about, and you won't know.

Fitts: How can they not tell you?

Caban: I don't know if you can legally compel them to tell you. Usually they might say something like, "The insurance company pays me. Don't worry about it," or that type of thing.

I think that it would be a tough effort. It tells you that if it's that tough of an effort to figure out what the commission is, you probably don't want to do it. The other aspect to that is **surrender fees**.

If you think about what happens in this product, the person sells a product, and they get a big commission. The insurance company is now on the 'hook'. So, in order for the insurance company to not lose money, they say, "If you take it out in the first year, you are going to pay 7%. If you wait another year, you will take out 6%, and so on."

The most egregious one I've ever seen was a scheduled 20-year surrender charge. When we looked into its investments, there was a whole methodology about following the S&P 500. I got the insurance broker who said this to admit that none of it applies because there is a core rate that bumps along – because they are basically putting it in bonds. There is a complexity to it.

So, you want to have a clear understanding of that. If you can't get a straight answer, I would walk away. If you don't have the answers and commit to this, you could be locked up in something, and it would be very expensive to get out of it.

Fitts: I used to constantly run into situations where complexity would cause people to get tricked.

Caban: I would tell people, "Only have enough complexity that it serves what you are doing. You don't need any more complexity than that."

If there is complexity, and you don't understand it, then you should not be involved in that.

Fitts: One thing that I used to always run into was getting these very interesting trading systems, and they would work until the day they didn't work. You would get these true believers.

I ran into a group of true believers on why their system wouldn't work. I said, "Look, your system is going to work until the day it doesn't work. Here are the reasons it doesn't work."

It was one of those situations where you had a pension retirement system that if the portfolio dropped in value, the practice had to make up the money. So, you couldn't afford to take a huge hit. So, it was war, and they won. They went in, and the first year the system didn't work.

Caban: You could even look at significant public examples like long-term capital in 1998 with Nobel laureates who have the system they created. It's the best system, and they went 'belly-up'.

Fitts: Estate and inheritance taxes are very important.

Caban: First of all, when you say 'estate tax', typically most people think it is a Federal estate tax. Right now, that only applies to very wealthy people because of the tax law that changed in 2018. It is above of $13 million per person because it is indexed for inflation. So if you are a married couple, it is $26 million. If your estate (a couple) is not more than $26 million, then you are not going to pay Federal estate tax. But it has been up and down over the years.

My favorite one was 2010 when there was none, and George Steinbrenner died that year. You kind of wonder about that!

Unless you are in that category of having a super-high net worth, or even as an individual in the $10 million plus, you only have to worry about the state. In my experience, there are many state inheritance taxes that are very hard to plan around or that you can't plan around.

This is one place where life insurance can be useful; maybe with a family farm.

Fitts: Life insurance can protect a family. I run into it on family farms all the time. I think it's a great use of life insurance.

Caban: A family farm an example where you have an asset, but it's not liquid; it's not easily sellable. But when it's transferred to the children, that is a transfer that is taxable. So if you buy life insurance to pay that bill, that can be very effective.

Fitts: If you have a family farm, you definitely want that.

Some of the terrible mistakes I've seen clients make are going to a tax attorney to work out how they do their estate and their will. I always say no to doing that.

Ann Christensen is a retired trust officer. She has been on *The Solari Report* several times. She did a *Solution Series* with Corey Lynn.

I said, "Sit down with somebody who is an expert on estates. It could be your financial planner. It could be somebody like Ann who does estates. Figure out what you are trying to achieve in the human system; figure out what you want to achieve. And for God's sake, don't give up control unless you absolutely have to in a world like we are in today.

Figure out what you want to do. Then, after you have designed the whole thing out, go to an attorney – but not before.

Caban: That is absolutely the most important thing. What you want to accomplish can involve naming people in different capacities. You want to know that before you talk to an attorney. But I think the biggest thing that I tell people is, "Go to an attorney who does estates and trusts; go to an estate-planning attorney. Do not go to your buddy who is a real estate attorney who does wills on the side."

It's not that he can't do a will, but he may not be as informed about all the intricacies of it.

Fitts: My sister is an estates and trusts expert attorney. She used to get mad because I always wanted to use the software.

Caban: There are different NOLO books and things like that.

Fitts: Right, because they help you think it through, but she would get very angry at me.

I said, "Don't depend on the software. Just use the software to educate yourself."

It's similar to my general counsel. When I use Wikipedia, she gets very upset. 90% of the time, it's fine. People can look up: What is a bond?

Caban: Everybody else is subject to the internet. I think doctors were the first people to be shocked by that. People would tell their doctors, "I read on the internet that I have this."

But it is true. "I read on the internet about investments. I read on the internet about my will." So, everybody should be subject to it.

Fitts: So with insurance, you have to ask, "What limitations do you have in your advice to clients?"

I go back to where we started: You are trying to find somebody who you create a relationship with. It takes time and investment.

I didn't ask you about **tax preparers**; we have to do tax preparers. This one is so important.

Caban: First of all, it is interesting if you've learned about this. You do not have to be licensed to prepare taxes. That is because of a court case that was decided a number of years ago.

Generally speaking, the most common is a **CPA**. Then I happen to be something called an **'enrolled agent'**.

Fitts: You are an enrolled agent. I have to say the Feds were very tricky. Now they have literally created an obligation for you to be an enforcement arm of the IRS.

Caban: That is a tension with CPAs, too. It is constantly the IRS saying, "As a tax preparer, you have to fill out certain due diligence checklists." I have to fill out checklists saying that I asked about this, and I asked about that.

You have the ability to rely on a statement of somebody as long as it's not patently questionable. So, there is always give and take, and there is always tension between tax preparers and even CPAs who are always pushing back on the IRS and saying, "We are not your enforcement arm."

I believe you (tax preparer) have the same type of duty as an attorney. I don't disclose what we talk about. You have tax forms, and you have some forms that are sent through e-file if you are doing that, and there are other things that aren't. You should be clear about that.

The biggest thing you want to do with a tax preparer is understand that whatever you are doing to avoid future dealings with the IRS.

Fitts: I always have somebody doing my taxes. I would never do my own taxes. I have many colleagues who do their own taxes because they say that it saves them money. I would never do my own because I want to prove that I had every intention to comply.

In other words, if I have somebody preparing my taxes and they've gone through the whole thing, if a mistake is made, then it is an honest mistake. I can prove that it is an honest mistake because they are experts and that type of thing.

Caban: CPAs are licensed by the State Board of Accountancy. An enrolled agent like me is licensed by the Department of Treasury. "Are you working for the government? No." Then there are **tax attorneys**. Those are the three categories of people who can do what is called 'represent taxpayers before the IRS'. It is under 'Circular 230' of the IRS, and they have an office of ethics at the IRS.

When you are looking for a tax preparer, I would say that you want one of those three. However, a tax attorney is only for dealing with higher, more complex and sophisticated investments. Otherwise, a CPA or an enrolled agent would be who you are looking for to prepare taxes.

Not all CPAs prepare taxes, so you want CPAs that focus on it; they do tax preparation. Enrolled agents all focus on tax preparation because it's very limited.

Fitts: I love the idea of a financial planner who also does the taxes because then they have all the information and it is integrated. It is always difficult when you have to go from this person to this person. The financial planner is here, the money manager is here, and the CPA is here, and the tax preparer is here. That is why people end up with family offices – so they can have all that together.

Caban: Years ago, I worked in New York at the JP Morgan Private Bank. I was told not to tell them. I would always say on the phone, "I'm sorry. I can't give tax advice." I would know the answer, so I would ask, "Why can't I tell them?"

They would say that it was because of risk mitigation and 'this and that'. So that is what led me to leave. If you say, "If we sell this investment, what happens with the taxes?" it is a natural pairing method.

Fitts: I want to point out that the 'poster child' for corruption is JP Morgan Chase, and I used to bank at JP Morgan Chase Private Bank. While you were working there, I was banking there.

Caban: I call myself a refugee of JP Morgan. I don't know if you would call yourself that.

Fitts: I know that you have chickens, and I know that you have moved and now you live off the land. You have much more of a living equity balance and a financial equity strategy personally. Can clients talk to a good financial planner about all of that?

Caban: I believe they can; I think anybody can.

Fitts: It's getting your spending plan right.

Caban: Yes, that impacts spending. Have you looked at the cost of eggs during the bird flu?

Fitts: I was going to buy stocks, but I thought I'd have an omelet instead.

Let's talk a little about the **markets**. Before we close out on financial professionals, this has been unbelievably useful. I know we went through it carefully, but if you look at all of the questions I have, I said, "Look, we just have to go through this."

Caban: I think the main thing is that people should be confident to ask the questions. It is okay if you don't know the answer; you can ask somebody a question where you don't know the answer. If they don't explain it to you in a way that you can understand, then that is not helpful, and you don't work with that person.

Fitts: Right, but you are trying to take the time to find someone who you can build a relationship with that becomes an asset. That is what you are trying to do.

Caban: I saw something years ago with regard to education. A statement was made that children are naturals at asking questions. The challenge is to remain a child as you grow up.

I think that many times adults feel like they can't tell people they don't know the answer. If you can get past that limitation and say, "I'm going to ask anything. If I don't understand it, explain it to me, please."

It's like a watershed that you can free yourself; get comfortable at asking questions all the time.

Fitts: I don't know why moving to Hickory Valley helped me, but it helped me tremendously. I said to one person, "I moved to Hickory Valley. It took me two years, but they finally taught me English. Now I feel free to ask questions."

Let's talk a bit about the markets because this has been another year where I'm fighting the 'collapse beats'. At the same time, because I have another company and I am doing screens, I have companies that I really have a deep affection for. So whenever the market drops, I'm like, "Ooh – a sale! Discounts! Bargains!"

Talk to us a little about what this year has been like so far.

Caban: In my view, we have been going sideways in a lot of respects, but with a significant volatility with the ups and downs. My favorite thing was to have a banking crisis in the middle of tax season. So, I would be answering questions on both fronts at the same time.

If you take a step back and look at the chart of a longer-term period, yes, there were significant ups and downs, but it's somewhat going sideways in a big range here. We are waiting. There are positive things that could happen. There are also very negative things that could happen.

Fitts: It is interesting because there are very strong inflationary trends and very strong deflationary trends. You keep wondering if they are going to balance out, or if one is going to take over and go.

Caban: Historically, stocks have outpaced inflation over a long time period. It doesn't mean that they do it every single year. I think that is why you want to have stocks, but I would suggest that you have a longer-term view. You need to understand what you own, but get comfortable with it, and don't try to get in and out on a short-term basis.

Fitts: If you look for systems, the one that I think really works is to be long until and unless it turns to a bear. The reality is that a bear begins at 25-35% down. How many times have we gone 25-35% down, and then come back up again?
Caban: Look at COVID; that down was 35% exactly. It was like a V that went straight up.

Fitts: The people at the Fed read the same books that I do. So, they know the 35% up.

Caban: Or the Exchange Stabilization Fund.

Fitts: Exactly! The ESF group looks at that.

It sounds simple. If you traded it that way for the last 100 years, you would have made a fortune. It sounds simple until you try to call a down or call it that it has turned into a bear. That is hard to call. That is one of the reasons I love Rambus. I think he has a natural gift at thinking about those things.

Caban: I also think the systems work well when you are doing what is called 'paper trading' and you don't have your money at risk. When you put your life savings on the line, your decisions change.

Fitts: One thing that is different is that we have higher interest rates. Now a saver can get a fixed income with some kind of return. But interest rates do change things.

The average credit card interest rate for the average American has been 17%.

Caban: There is so much 'fat in that margin' that they can get away with it.

Fitts: Right, but higher interest rates do change a lot. What does it mean to your clients?

Caban: Many of my clients are savers by definition if they became clients because they have assets or needed to manage assets. So that is a benefit to people who have been savers. Over the last ten years, savers have been at a loss to earn a return on fixed income and cash. It's about trying to get exposure and get a higher rate, but don't subject yourself to the risk if rates go up further or continue to increase even modestly.

Fitts: My favorite doctor says that during the pandemic, the three greatest causes of death were fear, fear, and fear. It's the same in finances as it is in health.

To navigate this environment, you have to live with tremendous volatility and uncertainty in terms of what the scenarios might be, but you have to stay out of fear. So how does somebody do that?

Caban: I would say that you want to have a portion of your investments that are appropriate for a fear scenario. Then if you have somebody helping you (agent), their (customer) job is to remind you. Sometimes people forget they have that. They might have something that is great. They may own a bond they can hold to maturity for three months, and the market is collapsing. They can have an advisor who will say, "Have you looked at your investments? You're not losing any money because of what your investments are."

They have to snap out of the trance.

Fitts: This is what would always happen to me: Somebody would be afraid of a collapse, so they would take a 10% position in precious metals that was very conservative with a very good custodian or in Switzerland or they had it in a safe. We would be in a bull market, and they would call me and say, "My precious metals have done very badly this year."

I would say, "That's central bank insurance. Of course, it's done badly. Luckily, the markets are doing well. That is good. It should do badly."

Caban: If it's insurance, you don't celebrate if you get in an accident in the car. That is the problem.

Fitts: Of course, it does poorly. It's supposed to do poorly in this scenario. Why is that a problem?

They would say, "It's dragging my performance down."

Caban: What that gets back to is: Is your money here to serve your life, or the other way around? Is your prime focus always and everywhere making a certain return, or does the return include the living equity?

Fitts: There is something about this environment; I call it 'the trance'. People forget why they took this position. That is why I keep going back to the fact that you have to know what you own and why you own it.

I didn't use to believe in writing a financial plan, but now I do because you have to write it down and say, "I'm doing this because of this, and I'm doing this because of this, and I'm doing this because of this."

Caban: It's a reference point that you can go back to in order to ground yourself.

Fitts: This has been a fascinating discussion. I learned things I didn't know, and I was an investment advisor for many years.

Caban: And I always learn things when talking to you, so I appreciate this.

Fitts: You learn how hard it is to read a mortgage portfolio prospectus! I think they did that because they were doing fraud.

Caban: That doesn't surprise me. I've never seen an instance of fraud that was simply explained. It's part of clouding the issue so that the fraud can go on.

Fitts: Before we close, I want to focus on the fact that finding the right help and building relationships takes a great deal of time, and you have to invest the time. If you are listening or reading this, take a deep breath and just say, "I'm going to build this into my time budget."

Cut out half your TV watching, take the time, and find some serious help if that is what you need. Understand that there is nothing in this world that you can't understand and make intelligent decisions about if you are willing to invest the time and keep learning.

Caban: Absolutely. The only thing I would add to that is when you say that you have to invest the time, just get started. Take small steps; take one little step and get started.

Fitts: Yes, turtle.

Tim, thank you very much. I can't say how much I appreciate being in cahoots with you. I look forward to doing something for the *2nd Quarter Equity Overview.*

Caban: Likewise. Thank you for having me. I always enjoy it, and I look forward to the next one.

Fitts: Ladies and gentlemen, thank you for joining us on *The Solari Report.* Have a great day.