



## Episode 123 - Near Misses, Actual Tragedies, & Disciplined Strategies, Part 1

*Episode Transcription*

*“Everybody says cash is king. No, cash is important. Cash flow, flow is the king.”*

Cory Shepherd: I think I've heard you say before, cash flow is king, even more than cash.

Paul Adams: Yeah, everybody says cash is king. No, cash is important. Cash flow, flow is the king.

Cory Shepherd: If you've got a big pile of cash and then additional cash flow stops, reorient to what that cash means and how you can use it.

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

Paul Adams: Hello and welcome to Sound Financial Bites. My name is Paul Adams founder of Sound Financial Group and CEO until the president of this company fires me which is Cory Shepherd. Cory.

Cory Shepherd: You're safe for today.

Paul Adams: Safe for today, I'll make it one more day mainly because it's my equipment we're recording the podcast on. That would be why he keeps me around at least till the ends of episodes. I'm excited about what we're going to talk about today. Near misses, actual tragedies, and disciplined strategies. That's near misses, actual tragedies, and disciplined strategies. Why is this important? Over these next three episodes, in a three part series, what Cory and I are going to do is ... we don't talk about this a lot. Periodically we'll give an example here or an example there. What we don't tend to do is gather a bunch of the examples of things we've really seen. When we're sharing with you about something that we've seen, it's not like we saw it just one time or it's a totally isolated incident, these are normal.

We're going to care for the confidentiality of all of our clients of course by not naming names but, what we're going to be able to do is give you an insight into things in near misses that almost totally wiped somebody out financially. Then in actual tragedies we're going to talk to about those things that people had happen where perhaps they went with the current. They went with what everybody else is doing. They went with what was hot, with what was exciting and they got maybe totally wiped out or nearly wiped out from something that could've been totally avoided. Then last but not least, we're



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*“We're going to talk to about those things that people had happen where perhaps they went with the current... They went with... what was exciting and they got maybe totally wiped out or nearly wiped out from something that could've been totally avoided.”*

going to spend an episode on disciplined strategies where we've watched people be disciplined, take appropriate action and it worked out well for them because the problem is we never hear those stories of the real boring consistent successes that happen out there. We're going to be looking forward to sharing with you a few of those.

Cory Shepherd: While we're recording these, the market happens to be going through a cycle and there's lots of news articles about potential problems and we didn't plan this around the market, it is relevant for today but, just know that all these things have happened before. I hope that this helps stomach the holding of a sound strategy through some of these things you might be reading about day in and day out.

Paul Adams: Yep. We're going to be able to give you a giveaway from today. It's going to be the white paper, kind of a mini book that Cory wrote. What's the title on the book? I always screw it up Cory.

Cory Shepherd: “Money: Where Humanity and Hard Numbers Meet.”

Paul Adams: So we're going to give that away to all of you and how you're going to be able to get that is for all three parts of the series it's going to be the same web address [nearmisses.sfgwa.com](http://nearmisses.sfgwa.com), [nearmisses.sfgwa.com](http://nearmisses.sfgwa.com) or as always, you can message Cory or I in LinkedIn. By the way if you're not connected with us you should do that. You can email us at [info@sfgwa.com](mailto:info@sfgwa.com), say hey, can I get the white paper, if you didn't catch the domain name and our team will do everything they can to take good care of. As a quick reminder, don't forget that you can have your featured review featured here on the podcast. Near the end of the podcast we'll talk about a review that we received in the last week or so, share it with all of you. Highly encourage you, go online, go to wherever you enjoy podcasts and do a review for the show. We appreciate five star reviews but they don't have to be.

Take a screenshot of it, email it to [info@sfgwa.com](mailto:info@sfgwa.com) and we will send you a copy of a friend of the shows new book, Michael Mickalowicz's book *Clockwork*. Great book for helping business owners and the executives organize their business and life so that it runs like a clock.

Cory, first near miss I want to mention which won't take long because we've given the story in some pretty specific details in episode 111. In episode 111, a longtime friend of mine who was disabled as a result of a total tragedy. He was kidnapped, work related kidnapping. They were going to rob the store that he ran. He in defense of his life and in fear for he and his family's life, he took the wife of his kidnapers which has left him as you might imagine with



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some wounds. Some physical and a lot mental that he's working his way through to go on and live a productive life but, it's a podcast that's worth listening to number 111 but, here's what happened.

Disability occurred, disability was work related, his work disability paid him next to nothing. I think after some amount of court time, it's about three years since the event, they will probably end up having to pay but, the only thing that's paid was his individual disability insurance that had all the provisions that we talk about. We're going to reference one of those episodes again soon but, we talk about contractual provisions and disability insurance are so key, he had them, it's now the only money he has coming in. So, while there was a tragedy, for sure, him getting disabled or getting in any situation to take somebody else's life, and he also didn't lose all the real estate or all the assets that he'd built up to that point. That's our first near miss.

Cory Shepherd: It's a great example because it is a tragedy that got turned into a near miss. You don't have the capacity to prevent tragedy but, we can turn them into near misses which is great.

Paul Adams: I talk a lot with our clients about what we're doing when we insure protecting is we're just ... just think about it, am I controlling the controllables? What are the controllables I can control my children, with my marriage, with my work or career or business? After I control the controllables, then it's just the time to go make good decisions elsewhere. We can't control whether or not the tragedy occurs to us. What we can control is sometimes the economic impact of those by having proper protection around us.

Cory Shepherd: And cash and cash flow can be a part of that protection. Hence, why I love our next example.

Paul Adams: Yeah, we had a client who, pre 2008 downturn had a mortgage that was just about paid off. I mean really closing distance on it in a hurry. It had a little less than a million dollars owed on his commercial mortgage. He had just a few tenants. A little warehouse/retail space that he'd owned and the property's worth about two and a half million dollars. Owed about a million left on it, but paying 15 thousand dollars a month in debt service. So there was really no interest left to pay. He's just paying down principle really, really quickly. What that high amortization was doing to him was it was killing the cash flow in the actual real estate. So, he's only making two thousand dollars a month.

What I brought up to him was what happens if one of these tenants leave? Which by the way, I hear this all the time, that'll never happen. These



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folks, they've been around this long, nothing's ever going to happen to them. I said well let's just consider this. Even though he was resistant initially to doing any kind of refinance, we looked at how interest rates had come down, how he could refinance to keep the same rate he currently had, I would've been okay even if he had to pay a little bit more. It stretched the payments now out 20 years on that piece of property. Well because he had it stretched out 20 years, of course his debt service goes way down. Our strategy was, you just keep saving all the money as we talked about in one of our prior podcasts which I would encourage you guys to go listen to, episode 122, recent episode, just last episode that talked about why you would want to make sure you control your cash flow.

It's same in commercial real estate as personal. We said go ahead and pay it off in five years, but let's not hand the money to the bank in the meanwhile because the more equity you have in that real estate, the more safe you have made who? The bank, the lender. So in this case, what we wanna do to protect you, is have you have the lowest payment possible, go ahead and save the money in cash if you want to, and we'll still pay this building off but, you're going to have the cash flow room to be okay. Low and behold, what did he lose? A tenant, in the next 18 months he had plenty of room for cash flow, plenty of time to get the TI loan, to get the next person in. Now the building's paid off.

It was all able to happen, why? Because he controlled his cash flow instead of letting the bank control it making them more safe.

Cory Shepherd: What I love about this one is keep all the facts the same just change the order of how they happen and it probably wouldn't have turned out the same way. Have the high debt service, lose a tenant, have the market start to downturn, and then ask for the refi? They're not giving him a new loan.

Cory you're exactly right. Not only would the bank not have lent him money because they have a tendency to only wanna lend money to people who don't need it. If he would have not been able to borrow the money, quite likely in 2009, and if he would not have been able, meaning after the fact, no more tenants, he saw his 15 thousand dollar a month debt service, he'd either have to break himself financially invading his own savings to try to keep the debt service going for as long as possible till he got a new tenant, or he would've had to sell the properties in an incredibly down market. So his two and a half million dollar property sells for a million and a half. Lots of people had to do that.



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That could've been him, he could've lost a million dollars off his balance sheet all because if he hadn't controlled cash flow. That's our near miss number two.

Cory Shepherd: I think I've heard you say it before, cash flow is king even more than cash.

Paul Adams: Yeah, everybody says cash is king, no, cash important, cash flow, flow is the king.

Cory Shepherd: Because if you've got a big pile of cash, and then additional cash flow stops, you reorient to what that pile of cash means and how you can use it which is why our next example is another one of disability insurance but, it's not one of actually going on claim. This is ... we work with a lot of physicians and this physician put this disability insurance in place very early in their education. Rightly so, wanting to get the underwriting portion of it out of the way when they're as young and healthy as possible. Now when they finished med school and went into residency, they had a little gap. Little gap to take some time off, rest, refresh and start taking care of some life admen.

They finally went to the doctor, after a doctor themselves, not having any medical records new for probably about two years, they started adding to their health history. When they had an opportunity to get what looked like a better deal, a discount program on some disability insurance they applied for a new policy with a different company, keeping the old one in place.

Paul Adams: Which by the way, quick pause, anytime you guys ever consider getting a new insurance policy of any sort, do not let the current one go until the new one's in place and because why do they always need to do that Cory?

Cory Shepherd: Because of what happened here. The new health history, nothing major, just some new medication, some changes to things, nothing like other clients that have been on the same medication were approved because they had been on it for a while, but because it was new, and they didn't know how it was going to play out, they said we can't give you insurance now but, we'll reconsider it in a year. For this client it was a near miss because they already had the insurance, no big deal, we'll see if we can get a good deal next year. Imagine if they hadn't done it at the first available opportunity, they would've been in a much different situation. Completely uninsured for at the next year and what if anything had happened?



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Paul Adams: You know what's funny? This just occurs to me, I'm going a little bit off topic here for a moment but, I really want people to hear...

Cory Shepherd: Oh really?

Paul Adams: Yeah.

Cory Shepherd: For the first time ever.

Paul Adams: Yeah, if you're a brand new listener, usually Cory is the one that just drags us off into the bushes but... I'll just be the one to do it today. If you're a long time listener, you'll now know that this is a normal thing. So, here's what occurs to me is that she got the coverage locked in when she could get it, and why doctors so often do that, that I think is like a structural thing. We've talked about that with the white coat window where they have this big jump in income, they tend to have this window where they can take care of some things and then they go into this higher income realm. Here is the thing that most people don't realize, everybody says well of course a doctor needs to get disability insurance because they've just been working 10 years to get their education. Haven't made much money yet, now they're making good money.

To all of my business owner brethren out there in the world, I got a secret for ya.

Cory Shepherd: It took you 10 years to make the money you're making.

Paul Adams: You didn't start making this kind of money overnight. Anybody in the top one percent didn't. You have a decade or two or three or more that you put into earning your income and yet oftentimes it's not protected. That's all I'll say about that.

Cory Shepherd: No, it gets better, I would hazard. I don't make very many definitive statements but, I would guarantee that everyone listening today took the last 10 years to be making what they're making this year.

Paul Adams: Even if you're dissatisfied with it. Just don't mean to convict anybody for having to work right now but, it is like it may be because ... you may be where you're at because you built it here. Okay. For those of you that have worked with us, we will oftentimes talk to people about how you can often be able to still contribute money to a Roth IRA. One of the best tax vehicles we have available to folks and yet if you look up the rules about whether or not you can do one, it says for a married couple, after you get past



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about 190 thousand you can't put in any money in. They just hang it up once they start making over 200 a year, their advisor, their CPA, the article they read, all said they don't qualify so they don't pursue it anymore. Yet, most of the time, we can engineer a way that somebody can do something called a backdoor Roth.

We've talked about it briefly on other episodes, if you need help with that, you can email us. We'll share our philosophy with you about it but, for this, here is the point I wanna make. This year, you could put aside 55 hundred dollars if you're under the age of 55, 65 hundred if you're over the age of 55. In 2019 that which, we're about to turn over the year so, this may publish after the first actually, it's six thousand dollars with a seven thousand dollar catch-up contribution. You put the money in, it grows tax free and you can distribute it all tax free. That is a big deal. We have met client after, client after, client after, client who has worked with the same advisor for years. Most of these folks had millions of dollars invested and there was the name of the company with which they transacted.

I don't wanna say any big company's name so, we'll just say it rhymes with Marle's Mob and over at Marle's Mob private wealth group. So, each one of these had private client group. It was like Marle's Mob private client group or another good one would be like ...

Cory Shepherd: Funtrust.

Paul Adams: Funtrust, yeah, Funtrust would be another good one. Sporgan Manly would be another good one. But, all of these companies will have these guys that are like the private wealth management so you think you're getting all the best thinking you can get but, they're typically only focused on managing the assets, not compositing the best way they could be. So, you take something like a Roth IRA, it gets ignored why? Because the advisor ends up having to move very little money every year. That's just six thousand dollars a year. So a married couple, if they're over the age of 55, it's only 13 thousand dollars in 2018. What the big deal?

The big deal is we meet clients where their advisors could have been having them do this for the last decade and they haven't. Do the math on that. Of a couple putting away 13 thousand dollars a year, it wasn't 13 thousand every year but, it'll make my math easier, for a decade would be 130 thousand dollars invested plus whatever it grew to. Let's say over this period of time that it would've been over 200 thousand already in a tax exempt environment. Needless to say, it doesn't wipe these people out to have that but it's a miss because the entire time, they were impressed with the marble floors, the really



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*“Driving around in your car is one of the most dangerous things we can do both from safety every day and from a litigious standpoint.*

*Umbrella insurance doesn't just cover you in your car but almost any kind of personal liability.”*

cool conference room, the everybody wearing ties in a fancy part of town and they were taken in by that.

A lot of people are. There's a reason they do that, it's not because it doesn't work on the America public and yet when they met with us, by Zoom meeting, having to pay an engagement fee upfront, all that stuff but, one of the first things we uncover is the fact that they could've been doing a Roth IRA. The only reason this doesn't fall into tragedy is the client whose example I'm giving right now, they've still got years and years of work left and we're going to be able to position a lot of money in there. What bums me out and one that would be a tragedy, maybe one we'll talk about in the next episode, is when we meet the person who just turned over, getting ready to retire, they've been introduced to us to get their ducks in order before pulling the trigger and we find out they could've been doing it every year, all these years and nobody told them. Now there's no earned income to do it.

Cory Shepherd: Back to insurance but, probably not the one that you thought. Umbrella insurance. Is you haven't heard of umbrella insurance, you don't know what that is, email [info@sfgwa.com](mailto:info@sfgwa.com) and reach out to schedule a meeting because, we gotta talk.

Paul Adams: And let me give the brief version because everybody who's like me Cory, that just you say that is going to be sitting in their car, steaming, like what? Just gosh bless it, explain it. Very simple, your car insurance or homeowner's insurance agent handles it. It picks up where the liability insurance stops on your care or home. If you have 300 thousand on your home and a million dollar umbrella, somebody sues you for half a million dollars and they win the judgment, a couple hundred thousand dollars comes from your umbrella, the rest comes from your underlying coverage on your care.

Cory Shepherd: Thank you Paul and for the record, I was not going to leave anybody hanging, I was going to explain what it was.

Paul Adams: Sure you were.

Cory Shepherd: So, we aren't car insurance agents, but we review everyone of our client's car insurance.

Paul Adams: And I stayed at a Holiday Inn Express last night. I've been wanting to work that in. It's over one hundred episodes, I haven't been able to say that once yet. I've been holding on to that for two and a half years Cory.



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Cory Shepherd: Well, I'm going to reach out to the folks at Holiday Inn, I can't confirm it yet but, we may have an extra give away for you in the show though so just look there. If there's any free nights stays, if the Bears win this week.

Paul Adams: There you go.

Cory Shepherd: Driving around in your car is one of the most dangerous things we can do both from safety every day and from a litigious standpoint. Umbrella insurance doesn't just cover you in your car but almost any kind of personal liability. We met with a client who had a gap in their umbrella insurance they didn't realize before we met them. Remind Paul, did they have no umbrella insurance or just far too low? I always forget.

Paul Adams: In this case it was strange, this one had the umbrella but he had homes in two states. This the way things can mess up even if you're with the same company.

Cory Shepherd: Oh yeah, that's right.

Paul Adams: So he had a home in Southern Nevada and a home in Utah. It was the home in Utah that had only one hundred thousand of liability coverage on it. His umbrella policy did not start until 300 thousand. That was the hole that we identified and repaired.

Cory Shepherd: Then they had horses and someone got kicked.

Paul Adams: It was somebody got stepped on right in the center of their chest by a big horse. Broke some ribs, it was a child. There was some medical expenses, pain and suffering, etc. 400 thousand dollar judgment against our client. Two weeks after he had fixed this hole. Had it not been fixed, the home owners would've paid one hundred, he would've paid two hundred, and the umbrella would've picked up one hundred. He would've had two hundred thousand dollars wiped off his balance sheet that day. Had we not reviewed and brought up to him, he still had to go take the action to fix it, and for that he gets kudos. It's hard for people to get homework done. Had we not exposed it to him, he thought everything was fine, and you would think it would be because it was all with the same insurance company but, we see that stuff often where the coverages are not coordinated and mainly because it's not your car insurance agent's job to know how much money you make, what you have in investments, what kinds of investments you have that are creditor protected versus the ones that are not.



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Their job is to keep you as a client of the car insurance company, or a client of theirs if they're a broker.

Cory Shepherd: And timing is everything. Active dates of policies matter immensely as you saw here. This is why in our move to Chicago, a mix of forwarding address problems, and some miscommunication with the insurance company had me get a letter as I was leaving for the airport, literally walking out of my house to the airport, saying we hadn't received your premium, your coverage ends tomorrow. I am on the phone with the agent, in the car to the airport to make sure before I get on the plane I have confirmation.

Paul Adams: Yes.

Cory Shepherd: Everything is fixed and it's back in place because, it's that important.

Paul Adams: That important and it's important because it causes the attorneys for that insurance company to have a deep interest in making sure you're fully defended.

Let's see. You know what I just don't realize? I don't know if we mentioned episodes 98 and 99 since we mentioned disability insurance a couple times, there's a couple episodes where Cory and I go a little bit deeper into how to look at disability insurance and chose it. How about we close out this episode with my near miss Cory? This is going to be a little bit of me opening the kimono.

Cory Shepherd: Paul's going to tell a little bit on himself. Yes our 30 plus years combined of experience has come with some hard earned lessons. Take this away.

Paul Adams: Oh man. Yeah, this is a big near miss for me and I want you to know and I'll explain why. This wasn't a miss. The example I give of this is I remember being a kid and going out and shooting. 16, 17, 18 years olds doing some target practice and I remember my dad saying never, ever shoot at rocks. It's because a rock can send a bullet back at you. Well I unknowingly, I thought it was all dirt, berm behind but there was a large flat rock that ricocheted a round back at me and I heard and felt it whiz past my head. Okay? In that moment of realizing I am 100% safe but, I was real, real close to getting severely, severely injured. That's a similar experience to what I'm going to tell you about this.



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The entire time as this went down, we were safe but, watching everything go on around us was like hearing that bullet go past my head as a kid. To give you a sense of where I was at, during the real estate boom I had purchased a couple of condos in Southern Utah. I didn't do it on speculation like a lot of people were buying real estate at that time. I bought it because of the cash flow. These little condos didn't take that much down, I think I put 10 thousand dollars down each of them. They cash flowed one hundred dollars a month. That's a pretty good little rate of return plus tax write offs, maybe some equity will build over time. I'll just own these rentals and I was making that after paying the property management company. It was a good cash flow deal.

I then pivoted and had bought five lots at a beach community that was being built at that time and put in deposits on five lots. One of which had opened up for me to fully close on. So I had deposits on four now, fully closed on one. I also, now these are transactions accumulating over time. My wife and I had found at that time a McMansion in the Las Vegas area that had recently been up for sale for 850 thousand but the real estate market was softening at that time and they were selling it for 650 thousand. So, we thought we were getting a screaming deal and we had a deposit down on that. During this entire time, in the background I'd also bought a commercial building. We had a little bit going on.

I bought the commercial building with some partners but, for this time as you might imagine, the 60% owner of the company that owned the building was a construction company. A commercial construction contractor in Las Vegas. Yeah. Long story short, what ended up happening, here's the near miss, and you might imagine how this could've gone otherwise. I'll leave that to your unbelievably ... here's the fact of the matter, give you how bad it could be, somebody in our business claims a bankruptcy, it's public disclosure. Everybody knows. You can look us up on things like broker check right now, Paul Adams, Cory Shepherd and you will find whether or not we have a disclosable events, we have no disclosable events, but if we had a bankruptcy, either one of us, we would have to disclose that and people would know about it. It's a big deal.

I bought those in 2005, I think I sold them all at the beginning of 2007. The reason I sold them wasn't because I saw this coming, they just appreciated a lot and I redid the math, my return on investment was good. The ten thousand dollars I put in but, the return on equity was no longer very good. I realized I'd be better off putting that cash on my balance sheet. So, I sold those two. Not because I saw anything coming, just because it made the most sense financially to make the most efficient use of my money to no longer have them in those properties. Sold those. Then I also saw that building costs were getting



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really expensive in this beach community and so what was originally going to be, when I had put the deposits down on all these lots years ago, the building costs were originally going to put us in a position that we could build each of these, rent them out as vacation rentals. All summer long, rent them very, very little in the winter and literally produce five, six thousand dollars a month of passive cash flow.

They were getting so pricey to build, they were not going to cash flow at all. So, the idea of that kind of swing. Once again I didn't see the economic downturn, by the way, most of the people who say they saw it coming, didn't see it coming either. People just re-engineered their past memories if they're not real straight about them. I sold those, once again, just because it didn't make financial sense. Then I had an opportunity to make a move to Southern California, become a senior vice-president for the second largest firm of our type. I let the deposit go on the second house we were buying. We hadn't sold the first house first. When it was all said and done, while I could've had 10 pieces of real estate during the economic downturn.

I know right? By the way, that's the first time I've ever counted it as pieces of property, that just made my stomach upset. I mean that would've been a lot of debt. I probably would've been ... if we'd have had all those, I personally probably would've been three million dollars in debt by the time it was all done would be my guess. Something like that. Instead, what we ended up being able to do was ... it took two and a half years, finally sold the house that we were living in, in Las Vegas. It took a lot of work and a whole lot of work with the bank because, the bank on the commercial building, oh yeah, for sure, after you're done with the construction, we will refinance all this into one low payment loan for you. Right? Handshake. Post 2008, handshake didn't hold, lesson learned. Always have it in a contract and the construction company went feet up and when they went feet up, it was me and a CPA making all of the mortgage payments which they also said the entire commercial building had to become a five year amortized loan.

Which we paid for one year while the bank was silent on negotiation, the partnership, not me had decided they're not going to pay anymore. They're not paying the loan at all anymore, trying to negotiate with the bank, and when it was all said and done, the attorneys wanted to go to battle. Our attorney and theirs. What I had to do to unwind that deal is I ... I was out of it now, I had already moved to Southern California, the other partners were handling it, I was 20% of the deal. When I heard that the attorneys were going to go fighting with each other, I cold called a bank vice-president and I got him on the phone. I have not called anybody out of the blue like that in years. I called him and



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said, kind of awkward, we've got a loan with your bank. We think we can help you guys get rid of the building better than you can.

We want to be a partner in this but, I think these attorneys are just creating fees. He said to me on the phone, in no uncertain terms, I think we're sending a lot of attorney's kids to college right now with this financial crisis. I will get you on the phone with the people that need to do this and after I had been silent and not interacted on the deal with the banks at all for over a year, in a matter of about two weeks, I managed to assemble some conference calls that got the whole thing done. Me and the CPA had to write six figure checks to close out the debt and sell the building with no debt carried against us at all and no impingement to our credit. Real serious near miss.

Again, the only reason I escaped it was not because my wife and I sat together and oh, we see it coming, it's going to be real bad, we need to get out. It was just, oh, the underlying model doesn't work. I've got one last near miss I didn't talk to you about Cory but I think is appropriate right about here. This near miss has to do with ... some of you know, you've listened to some of our past episodes, we will help our clients. If it's appropriate for their planning as a part of their design process, we'll help them design a whole life insurance contract that will act as an asset class for them on their balance sheet. We always attempt to do those with mutual life insurance companies. Here's the last near miss.

All of the major mutual that we use inside of our practice, almost entirely avoided all the downturn of the 2008 financial crisis. Why? Because they looked at those assets that crumbled on other insurance company's balance sheets because remember, all the stock insurance companies have to report every quarter to shareholders. Mutual companies have to keep promises that are going to take 20, 30, 40, 50 years to keep to their policyholders. That's who their board is accountable to. Well, when the economic crisis was starting to build but nobody knew when it was going to happen, they looked at all those mortgage backed securities and simply said, I don't know how we can own this for 30 years. I understand how it will make us money this quarter, next quarter maybe for a year but, I don't understand how we get out of them and how we get out of all our other bonds that we own as we own them to maturity but, this doesn't seem like it's going to work till maturity.

I think we better not have them on the balance sheet. Another insurance company was like, we just didn't understand how it could work. Everybody's telling us it's working but, we couldn't understand the mechanics, we didn't execute. All of these companies avoided tremendous amounts of



## Episode 123 - Near Misses, Actual Tragedies, & Disciplined Strategies, Part 1

### *Episode Transcription*

impact to their balance sheets because they just made good financial decisions in a time when things were on fire. Here we are today and how many clients have we met with who have owned Apple like it's a religious mission? Or name any other company. Cory and I were looking at it yesterday and as of here near the end of December, Apple is down 25% from its high just how long ago was that? Like two months ago. Something.

Cory Shepherd: Two, three months, yeah.

Paul Adams: It had taken a big hit and it's like ... because people get enthusiastic and write something like that up and then they can lose significant chunks all in one swat. We just don't realize that it's coming and that's why we encourage folks to make disciplined decisions.

Now in our next episode we're going to share with you about the types of things that happen that are real tragedies. The ones that we've seen inside of our client base, the ones that we've seen inside of our friend circles. Of course names and situational details changed enough to protect the innocent but, why we want you guys to hear those is you don't get a chance to hear these very often number one. Number two, you don't know that they happen to most people. Most of the people that these tragedies happen to they're no longer going to your church, your school. They're not at work with you, they can't live in your neighborhood now. These kinds of tragedies that wipe people out that could wipe you out, we don't see because they happen outside of our periphery.

We're really glad all of you could join us for today's podcast. Remember rate us on iTunes, give us rating, send us that screenshot, we're going to send you a great book. If you haven't yet had a chance to have philosophy conversations with one of our advisors, I cannot encourage it enough. Once again and as always, we hope that this episode has been a contribution to you being able to design, and build a good life.

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## Episode 123 - Near Misses, Actual Tragedies, & Disciplined Strategies, Part 1

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