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Get Real Podcast Episode: 067

Find Tenants and Never Lose Money Again

Host: Ron Phillips

Welcome to the Get Real podcast. Your high-octane, boost of full on reality therapy for personal, business, and investing success with your host, Ron Phillips. Because somebody's gotta tell it like it is.

Ron: Hey, everybody, welcome to the Get Real podcast. I'm your host, Ron Phillips. And man, I've got a fantastic show for you today. I am. I am really, really pumped about today's episode because I've got my really, really good longtime friend, Jon Galane with me. Jon, welcome to the show.

Jon: Ron, thank you so much for having me. It's been a long time and I I feel so close, even though we're so far.

Ron: I know, man. I know this is it. So let me give Jon a proper introduction, Jon. So Jon and I traveled, most importantly. Well, let me do the boring stuff first. Jon has been in the financial service industry for like four to three, four decades. It's got to be for decades.

Ron: Oh, gosh. Yeah it's running about 40 years. 2003 when I entered. I mean, gosh, nineteen eighty-three.

Jon: Yeah. So it's been a minute. And anyway his history goes back to the stock market. He was a really is a V.P. for Morgan Stanley for quite a while and and then he transitioned into alternative investments which we're going to talk a little bit about today. Founder of Mountain West IRA which is the IRA custodian that we send all of our people to. Fantastic service. They've been doing that for 15 years in his wife, Lisa. Run that. And it is of all of the companies, the IRA companies that are out there. His company is has the the best level of service, period, end of story. We really, really love working with them. Most importantly, Jon and I spoke together on the road to thousands of people over a decade. Over a decade long we spoke all over the world like the traveling circus. Jon and I educated people about alternative investments. I'd raise real estate, you name it. And we had an absolute blast doing it. And it is it is really fun to have you on the show, Jon, to be able to kind of get the team back together after it's been a long time. Good Lord. How long's it been since we've been on the road?

Jon: Oh, gosh, it's got to be probably six, seven years maybe.

Ron: Yeah, it has been way too long. So, guys, get ready. Jon is a wealth of knowledge. I wanted to bring him in to talk a little bit about just the markets and things like guys, I think anytime there's a when everything's going really well. Everybody is the everybody's a genius, right? Because they're making money in the markets. When things start to get a little crazy in the markets, then people who really are geniuses with the market. Jon is a person I go to when I don't understand what the hell is going on. I say, John, what is going on? Then he explains it to me, what's going on. So I thought we talked about a few things. Number one, just really quickly, how Jon sees things right now. And, you know, get his thoughts maybe on the real estate market a little bit as well. But then I want to talk about the financial service industries and just in general, some of the things that you guys probably don't know that Jon knows from being in the belly of the beast for so many years. Right. And he's not a hater on the stock market, but he does have some really, really good knowledge about what goes on there. And then we'll transition into some alternatives and talk a little bit about that segment. So, John, tell us a little bit about I mean, we're talking we were just talking about dead cat bounces, not too many minutes ago. I mean, I was telling everybody I was telling Jon that I was felt really smart because I knew what that was, because Jon educated me years ago about what it was. But talk to us just a little bit about what you think is give us a quick down and dirty of what you think is going on and how you think real estate will fare.

Jon: Well, I have to tell you this, probably the most fascinating market of my life and what I think fascinating. I say it in a positive way because we've become so complacent in our investing. You know, we either have a totally down market like 2007-2008 or we have a totally up market like we did right before coronavirus. And sometimes it's good for the market you shake up and for people to get shaken up a little bit. Granted, you know, things are perfect as far as business is going and the shutdown is just a horrible thing. The the unprecedented loss of jobs of 17 million, sixteen point eight million in three weeks is like something that's never happened on the face of the earth before. So it it the ramifications of it are enormous as we go further out with the economy being closed down. And what I think has happened is people are so desperate for something positive to happen that the market is an easy target to go back into it. We saw it vulgarian at the beginning of coronavirus when everybody got scared. We saw it come back when people thought things were getting better, when the graphs that they show on all the news channel every day, you know, the curve is flattening, the curve is going down. Deaths are going down. It's just there's a lot of morbidity in how they're discussing coronavirus and they're missing the psychological effect of what's going on. I'd like to see more of that. Less of the charts. Charts are easy. They're an easy, they're very easy for people to grasp because it's a bar and a line. It's so easy to grasp. And that

creates a nightmare in the market. And here's where I think the instability is. I think that psychologically the market has built in Corona virus and then it's going to be here for a while. And I think that people are getting used to that and we're seeing the market come back up. And you talked about a dead cat bounce. I happen to believe I have to be one of those that what hasn't been valued into the psychology of the market is what happens when we have another report coming out today or tomorrow on another 6 million jobs lost. Now, I don't know what it will be, but let's assume that's kind of what it has been. What happens then and what happens when the economy is still is? No. And what happens? This is what happens that. And what happens with Corona virus. And I think that that psychology of getting the market open and how or not the market, but the economy open and running again is misconstrued. I hear political analysts talk about, oh, it's a V recovery or U recovery or an L recovery. OK. I'm going to do something that's inappropriate on a podcast. But, you know, aggggghhhhh. I thought, you know, you get up in the morning, you want to know, are you safe? You know, is your family going to be healthy and is your money going to be there? Right. Your people think about their future and they think about right now. They could care less about Us and Bs and Ls and all the other stuff that gets spewed on TV. So when we talk about Dead Cat Bounce, which you and I were talking about earlier, is I think that the market has not built that. I think that what's going to happen on this economy open is it's going to be slow. I don't think it's going to bounce back as quick as some people are saying. I also don't think it's going to be as detrimental as some people are saying. As long as we start getting people back to work. I was amazed at the 8 1/2 percent drop in retail sales. That's huge. That's that's like depression, kind of huge. 1929, kind of big. And that coupled with the job losses are big thing. So I think that the market is being unduly supported. I think there's a lot of volatility left. I think that volatility is going to be with us way past the election. You know, people talk about a year volatility.

Ron: What do these people who have been out there, I mean, and, you know, Facebook and all the social media sites, people are out there, man. It's time to buy. It's time to buy. It's time to buy because, you know, everything is going to go back up. If I heard you right, it it may not be quite time to buy.

Jon: Well, it's always trying to buy. You know, you and when you and I were talking, you would hear me say, because I'm. I love the stock market as well as I love real estate and other alternative investments. It's always time to buy. But you have a choice. You can either be a bull, a bear or a pig. So if you're a bear, you just stick with what you have and go to sleep and hibernate through this whole thing. And don't worry about it. Don't. Don't sell. Don't buy. You know, if you if everything's already invested, stay invested. If you've got cash. Diversify. Don't put it on the stock market. Don't put it all in one place. You know, look at real estate. I happen to think that the stability in real

estate. We'll talk about that a few minutes. But the stability in real estate is much better than the stock market right now. I happen to agree. So. So the, in the stock market is if you're a bear and do nothing, you're fine. And I can tell you that I'm a bear right now. I've done nothing. I'm not a seller. I'm not a buyer. I'm just kind of watching. Yeah, I know the market's going to go up, but I'm also 60 years old, so I don't care if it's going up in five years or two years. It's going to go up. I'm already good with where my investments are. OK. The other thing is you can be a bull. If you're a bull, it's like buy now. And just let it ride. Right. And deal with the down, if there's a downturn. Buy more. Right. You know, invest yourself more. Yeah. When you prepare yourself that if you buy now you could have a 20 to 30 percent drop somewhere in the near future depending on what happens with the opening of the economy.

Ron: And the most important thing, John, and I think that people don't realize the majority of the people out there who, you know, just regular folks are just there. They got money parked. And it's in the stock market is not to freak out. Right. It's because if you sell, how many times did we do presentations or are telling people, look, if you sell at the bottom, you've locked in all the losses? Right. And when you buy back in, you're buying back in with lost money to try to gain money. It doesn't work that way.

Jon: That's the pigs. Those. I talked about the bears, the bulls and the pigs. The pigs get scared and sell when it's. When they go back in and buy higher so they have a guaranteed loss. Always in the market. Yeah. So, you know, if you're a pig and you think now's the time to buy because it's only going up, what's going to happen is you're gonna go in with everything you're going to buy in that market because you just know you know, it's the cat's meow. Yeah. It's gonna beat everything. And as soon as it goes down, being a pig, you're going to get scared and you're gonna sell and you will continue that cycle of buying high and selling low until you've lost everything. Yeah. I kid you not, I watched clients do this. When I was with Morgan Stanley, I begged clients not to do this. I watched a guy buying on margin build an account up to from next to nothing up to a million dollars. And I asked him to stop buying on margin that at the levels he was by, it was too high a risk in a market that was becoming volatile. And he man, he was just convinced it was doing nothing but going up. He managed in about a month's time to lose all million and end up owing Morgan Stanley forty thousand dollars.

Ron: Unbelievable. It's unbelievable.

Jon: So that's what happens with kids. Don't worry. It's going to be OK. Now let's switch from market to real estate. If you're OK with that, Ron. Yeah. Yeah, great. The advantage of real estate right now is interest rates have never been lower. And I can't believe I'm saying this because in two thousand eight, nine ten, I was saying interest

rates connect. They just can't get any lower. Right. Here we are in a zero to a point to five overnight. It just doesn't get me lowered. The greatest buyers market real estate there is. And you're saying, well, wait a minute, you're saying it's a great buying market, but prices are up so much. Yes, they are. You know, your cap rates are low, your prices are up, but people are going to need places to live. You're always going to be places to live. Businesses might be changing how they do things. They might not have as much physical presence in buildings. So I think that if I were a betting man, I'd probably bet with residential over commercial right now.

Ron: Yeah, I agree. I'd say I actually think there's gonna be a little bit of a shakeup in the in the in the office space market.

Jon: I've seen it every decade. It happens every decade. I remember when the oil crisis in the in the 70s shook up. I mean, Houston went belly up. There were so many empty buildings. I remember in the 80s, the JBL fiasco when they came in and Reagan changed the tax, taxation on investments that weren't really investments. They were tax write offs, destroyed the commercial market. I saw it in the 90s when we had a downturn in the 90s with Clinton and saw it again and commercial just like it was like a ghost town for a while, you know? And then we saw it again in the 2000s in eight, eight, nine, 10, when it was just so it's not it's not unreasonable that here we are in the next decade and we're gonna see another major commercial shakeup.

Ron: Yeah, I agree. You know, and I've been telling people to John. You know, we've when we were speaking for the last 10 years, we would update the graph of new construction, which was basically nonexistent for almost five or six years. There just remember that, you know, because the population growth continues to grow and we weren't building anything really relative to the population growth. We finally started to, you know, climb that hill. But even still, there wasn't a big spike. And so many of these many of the places across the country still have a shortage of housing. It's not as if, you know, everybody runs back to 2008, wants to talk about 2008. This is not the same market. It's just not we've gotten this crazy market that we were just talking about because of coronavirus. But the real estate market, the underlying real estate market is not the same. Not even close. People have equity in their properties right now. They're not stuck in these crazy mortgages that we had before. Most of them are fixed long term, very low interest rate loans. In addition to that, we don't have a glut of homes in almost anywhere. We don't have a glut of homes on the market. And it's not propped up by a whole bunch of investors that we're speculating on appreciation. It is entirely different this time. And so I happen to agree with you about the real estate market.

Jon: Go ahead real quick on that. The difference between 2007, 2008 now and the dramatic difference, that's kind of the technical side of it. And you gave the overall umbrella picture, which you're absolutely right on. But technically in 2002, 7, 8 for two decades prior. Wire houses the big like the Morgan Stanley's and JP Morgan's and Goldman Sachs and Bear Stearns? And, you know, everybody that went under, they were separating out mortgage interest from assets and they were selling the assets separately. They're what's called tranches and they were selling. Remember this how when we were talking, I'd go through the tranches and how devastating this was. They were selling to one group of people the interest. So people were earning interest with no underlying asset, never selling the assets to other people. And that's what created the whole problem. That hit finally hit in 2008 is as soon as interest rates crashed and as soon as the real estate market crashed, there was no asset to backup interest. They couldn't pay the interest because people were losing their homes and there was no assets for people to take and either foreclose on or sell or anything. Right. So I just ripped the market to shreds. What you have now completely different. You have a very stable real estate market with long term fixed interest rate and the assets and interest are not apart. They're together. Wire houses can no longer split those tranches? They're not allowed to do it anymore.

Ron: That's important. And I think and I think most people don't know that. I appreciate the explanation. A little bit deeper dove into that because, you know, they don't they don't report things like that. They report high level. And they also report national numbers, which are irrelevant in the in the real estate world. National numbers are, they're irrelevant. They don't matter because just because some market is inflated doesn't mean that the rest of the 80 percent of the rest of the country is is inflated as well. It's just not true. And we saw that very well in in 2007 and eight where a lot of areas were not inflated and they got brought down because of the technical pieces that you just talked about, because of the banks. They got brought down the those economies and those real estate markets actually were not they shouldn't have gone down. The only reason they went down was because of the technical aspects that you just talked about.

Jon: Yeah, and that's correct. That's exactly what happened. I mean, there were markets gosh, you and I can probably name a dozen off top of our head like Boise, Idaho.

Ron: Yeah, the ones we were buying in in 2000, ten eleven from the ones that we were buying in into 10 and 11 and twelve. Yeah. Right. Yeah. So, John, let's talk really quickly about since you were so deep into it and kind of still are really in some degrees into the financial industry, I think there's a lot of things that people should know, but they just don't know. One that I'll never forget that you explained. I'd love for you to explain. It is

just this this phenomenon of average returns and that everything works out magically because the average return is ten point whatever it is or 12 or whatever they tell you. And when the average person out there opens their 401k their average return is never what these financial companies are allowed to say the returns are. And the disparity between the two of those is in some cases, stark. And yet those companies don't get in trouble for saying that their returns averaged 12 percent. And why is that? How is that? And then let's just talk through some of the other things that people just don't know about this industry that are kind of hiding in the corners or behind the scenes that people just don't realize that are there.

Jon: Well, there's two questions that you ask. They're are basically about an hour each. So I'm going to try and make them break them down. I'll shrink it down. Well, I was talking about what you were just talking about on the average, very return to that. Companies are allowed to report reporters a mutual fund. And what happens is mutual funds are allowed to report their average rate return over one, three and five years based on the buying and selling of mutual funds without the losses added in or without the tax ramifications, because a lot of funds will turn over 200, 300 percent. And those those turnovers are all taxable because they're short term, they're all taxable at the individual's tax rate. And they're allowed to import figures without calculating taxes. And what happens is on on those big return funds, you're got to if you're in a 30 percent tax bracket, your average rate return has to come down 30 percent. So if they're reporting a five year average rate return of 10 percent, average over five years, you've got to you've got to reduce it by 30 percent a year, which takes it down somewhere between 3 and 7 percent. If it's not in a tax deferred type of situation, it's in tax deferred situation. Those are those returns or returns. But they used goods called window dressing and they're allowed to sell at the end of the quarter, too. They sell all their stuff with big gains to jack up the return. So at the end of the quarter, when they report their quarterly is in their annual on their three year, they use window dressing to increase the returns. And it's been done for 50 years in the mutual fund business.

Ron: It's insane to me. Legal, yes. Now, if I did that, I would go to prison. So it's remarkable to me that they can that they can do that. Right. If on real estate syndications and my like, if I have a syndication company and I have on my Web site that our average return is X and it's not, the FCC will come and get me. They will sue me, take everything I have. Right. And then they will put me in prison to boot. And yet this other place where you get to play, these other people get to play in this in this other world where they don't have the same rules, it's nuts. But I think most people assume that they have the same rules because they should.

Jon: Well, yeah, they assume that. And here's the situation. If the real estate market was allowed to do with the stock market did. Let me tell you how the returns would

look. And this is in a tax deferred situation because I deal with this all the time. I talk about it. You've heard me say this. You're going to remember this when I said if if the rules in real estate and the stock market and mutual funds were the same. Whereas you could report a 10 percent average annual return over five years or 10 years in a fund, which most funds average out between eight and twelve. You know, once you're done which they also don't have to report, there's fees, there's certain fees that don't get added in there. Right. In their returns, the returns are gross returns. But if you allowed to do the same thing in the real estate market, your average rate return on a cash on cash piece of real estate might be 3 percent per year. So an average of 3 percent. But if you're allowed to put your financing in there and account for the interest that you paid your average rate return on a piece of property that's got a 60 percent loan or 70 percent loan on, it goes from 3 percent to about 30 percent average annual.

Jon: So if you're allowed to do it, you know, dollars the dollars and allowed to do the same thing in real estate is stock market. And I obviously don't have time to draw you charts and show this. But you've seen me do it that in a piece of real estate, the cash on cash is returning 3 percent per year average annual. The total return after a 10 year period on that property is closer to 30 percent using lending, right. You can't. Margin mutual funds. You can margin's stocks, but you can't do in a tax deferred account. You can't margin stuff. You can margin real estate. You can get loans on it and you can create those higher returns. Now, when I say 30 percent, I don't want anybody to think.... I'm talking hypothetical. So I'm talking on a hypothetical piece. Probably don't anyway come back and say he said I can get 30 percent. No, I'm saying that there's if you do it correctly and you've got good properties, you could do that. But if you are allowed to report the same, reporting on real estate would look so much better. If you're not you're not allowed to report that you're only allowed to report cash on cash return.

Ron: Hundred percent. And then, you know, you talked about taxes. There's also I mean, the taxes and fees that come out that are that are specific to that company. All of that stuff comes out before it goes to you. And then it's my understanding going to have to report any of that. They tape report the top number.

Jon: When they report the taxes, they have reported some fees, but they don't have to report all the fees because these are individual per client. So the S.E.C. goes, oh, you don't have to worry about reporting that because there's no way for it to be exactly right. That's ridiculous.

Ron: Yeah, it's absurd to me that they're allowed to do that. And, you know. Yeah, well. So you're right. We could probably go on for two or three hours. I'm going to have to have you back. We're going to have to talk about this stuff.

Jon: Well, a little late for that. The first question you asked me was the average rate return over a period of time. There is no period in history in America where the average rate return in the stock market or the real estate market has been under a 10 percent average annual rate of return. Yeah, clearly. Don't you? Yes. Even the even the Great Depression. So now not everybody has 30 years, but you have to keep that in mind that if you've got a long-term horizon, that there is no reason your return shouldn't even out between losses and gains. And you're not going to win on everything. Every good investor knows that the goal is just win on more than you lose.

Ron: Yes, it's about getting on base. I talk about I talk about in baseball terms. Right. You don't have to hit a grand slam homerun every time you use a setup to play. You can bunt. You can hit it into the outfield. Doesn't make any difference. So long as you get on base and you continue to get on base. You advance. And that's the name of the game. I think also, Jon, if we're being fair. You know, I'm a fan of beating up the stock market. I know you're not, but I am. I really don't understand it the way you do. So I like to brutalize it just a little bit. But if we're being fair, the same thing happens in real estate. A person goes and buys a piece of real estate. They have some things happen to them, right. They have a vacancy. They have a high turn cost. And so their short minded self gets in the way of a long term investment. And they and they sell long. Losses where they should have just stuck it out, you know, and kept that investment long term. And time heals all real estate woes, they say, right? So the same thing that happens in the stock market sometimes happens in the real estate market, too. Yes. Fortunate that people don't have a long-term view of investments as they should because their investments. All right.

Jon: You know, it's part of the right now economy. We're in social media. And because of technology, people expect everything right now.

Ron: And I think it's one of the big myths about real estate because of HGTV and all these gurus that go around telling everybody that you can make a million dollars in three months, working four hours a week and flipping real estate. Right. Same thing that they do with stocks. Right. You can you can, you do all this really cool, crazy stuff with stocks in no way to lose, you know? And if you use their system, you can't lose. And yadda. I got it right. It's such a bunch of crap. But here's the thing. When that overshadows, it's easy for people when they come into real estate and actually talk about real estate investing to think that those things are investing. You and I know that's it's not. That's a business. That's trading. Yes. That's the same as Publix has

groceries on the shelf. That's what you're doing. You're buying it, right, as a commodity. Yes.

Jon: And so that's not investing, for cash. You're not building a network. You're not building a future. You're not building security in case of a down market. It's not investing. It's gambling. Absolutely. It's day trading on the market and flipping houses are it's a commodity. You're buying and selling a commodity. And commodities, as we know, if you're in the, if you happen to be in the airline industry today, you understand commodities better than ever in your life, losing 10 to 50 million dollars a day. Yep. Yep. You know, that's not investing.

Ron: So, Jon, let's talk a little bit about, you know, to kind of bring this thing home just a little bit while we've been talking about today, because we've talked about stocks, we've talked about real estate, we've talked about the markets, both stocks and real estate. I introduced you as the founder and owner of Mountain West IRA. Let's talk just a little bit about alternative investments and how it works, because so many people out there still, even though this has been since, what, the 70s, you could do this with IRAs. I can remember exactly what you.....

Jon: Since nineteen seventy five.

Ron: OK. So since I was one year old, you could you could do this. Right. So my entire life. This is something that people could do with their IRA, with their retirement accounts. And yet still millions of people don't know. And man, you that should tell everybody out there something about how much of a hold the financial services industry has on the media and everything else out there. Right. Because they don't want people to know about this because they can't sell these things. Right. So there's no stock broker that makes money by you investing in real estate, for instance, in your IRA or any of a number of other things. There's tons of things. And I'm hoping you have, I'm not hoping you have. I'm hoping you share one of your many crazy stories about what people have done inside of their IRAs with, oh, god, I get so many. So. So give us a high level how this works with alternative investments. And then, you know, maybe we'll have you come back and do a deeper dove about how it works. But give us a high level about what this is that we've been that I'm talking about.

Jon: In investing inside of a self-directed IRA, by the way, all IRA's are self-directed just because it's at a brokerage company doesn't mean it's not self-directing. You're responsible for all the investment, whether an investment adviser does the investing for you or you do it yourself, it's all self-directed. So the law allows inside of an IRA if you have a hard assets like real estate, that you can borrow money. It's called non-recourse loan and it will get into the whole thing today because that is a separate session. But you can borrow and leverage your real estate inside of an I.R.A. and get

create greater returns as well as creating 10:31 exchanges. And on the amount that's borrowed, there's a tax on that called a Youbet tax. And that tax can be carried forward against future gains. Very cool, but...

Ron: Now real quick, John. It's important. John said the word borrow. Everybody in the normal world thinks that's the same thing as when they go borrow money from their 401K to buy real estate. What's John saying is completely different. I just want to make sure he understands. John, real quick. What are you talking about here that's different?

Jon: What I'm talking about is the I.R.A. itself takes a loan and the IRA is responsible for that loan on the piece of property. So the lender has no recourse against you individually or your IRA. The only recourse they have is against that piece of property that was borrowed on. OK. So you're not signed first name doesn't go against your credit score, FICO anything like that.

Ron: So for everybody out there who's never even heard that they could buy real estate in their and their IRA, we just blew their minds up like they just exploded out there. Yes. So not only did Jon just say that you can your IRA can actually buy real estate inside of your IRA so we're not borrowing money out of the IRA to go buy real estate. The IRA is actually purchasing the real estate just like us.

Jon: You're not distributing anything out of the IRA.

Ron: It's not a taxable event. And as a matter of fact, what John said is that your IRA can go borrow money just like you can to buy the asset, which means you can leverage it. And then rather than having the taxable event, you can actually when you sell that property, you can use the laws of the 10:31 exchange the same as you can personally. Your IRA can use it to push those taxable events forward inside of your tax-sheltered entity. It's insane. There was a lot in there. I just I tried to unpack a little that as a two hour course that we've been telling you. This is so cool, John. So most people don't realize you can do alternative assets. And here's the thing. I've had a lot of people, Jon, they do. What you were just saying is true. So I go to my brokerage house that holds my IRA and I say, hey, I need a self-directed account. They go, well, this is a self-directed account. OK, cool. Then I go home thinking I can invest in real estate with my brokerage account at wherever. Smith Barney. Right, but I can't. They're telling me it is a self-directed because it is self-directed, like you said. But this account that you're talking about is a specialized, not necessarily specialized account, but it's held by a specialized brokerage that allows you.

Jon: Well, it's not a brokerage. Brokerage firms can't hold truly self-directed real estate accounts because brokerage firms fall under the S.E.C. and NASD, the National Association of Security Dealers. They have certain laws and they can only sell approved

product. So you can't go to a brokerage firm and put real estate in your IRA. Well, you have to do is transfer that I.R.A. to someone like us who is an I.R.A. administrator and trustee. We hold the funds, we sign the documents for the real estate. We don't hold any marketable securities. And that's why we can do this, because we don't carry the NASD license.

Ron: So companies like yours don't sell anything.

Jon: That's correct. Right. OK. That's correct. We don't sell any product. All we do is administer what you tell us to buy. And it can be real estate. You could be a lender. It can be. There's so many things. One of my favorite stories is talking about stories on this. If you if I've got a few minutes and we're. Yeah. Yeah. And everybody do it. Of got the concept of it. My favorite stories may in fact I trademark it. I love it so much is we have a client who buys cows. It is either, like cattle moo cattle to the actual cattle.

Ron: He's not buying ranches. He's actually buying cattle.

Jon: Yes. And he started years ago. Gosh. Must be about 10 years ago now. He started with a cow milk cow. And he buys the cows and he leases them to a rancher who takes care of the cows, who milk the cows. And the income from the milk goes into his IRA. Tax free. And each cow bears one calf a year. And that calf. If it's a cow brings in twenty five hundred dollars. If it's a bull brings in three thousand, that's what I call a cowpital gain. So it's about a hundred percent cowpital gain minus food and vet bills. Got a hand. Hundred percent gain on a capital gain on each cow. That's birthed. Nice. Plus you have income every month on the milk production. None of this is hands on. They're all leased to a rancher that does all the work and the rancher gets, you know, paid for doing that. He now has. I don't know the exact amount, but he has gone from one cow in ten years to about three hundred. He had a cow. So imagine what 300 cow is milking each day, which I call a bovidend in stocks. You might call it a dividend. But I like to call it a bovidend. And so each cow creates a of it and each month as well as a capital gain each year. That is a stimulus thing. By the way, cows and rental properties are exactly the same. I used to call my. Somebody got upset with me. But I just called my renters bovidends because they produced bovidends for me.

Ron: So that is a really good story. That's that. Even before that even beats the fishing license story that I heard. Oh, yeah. Which is also a great one.

Jon: Yeah, he bought that license. I try to remember now for about one hundred and forty thousand and and had somebody fishing that license, he made a ton in dividends, you know, in monthly income on. A license, he ended up selling it for almost a million dollars. Unbelievable. Yes, unbelievable gain for him.

Ron: So the moral of the story here, guys, is that if if you're sick of being trapped in a world that you don't understand, where you have to count on someone else to, I guess, pick the right stocks or the right mutual funds or whatever, and you want to take control of your financial future. And you know, your retirement accounts, then you can you can use a company like John's Mountain West IRA to to to do that for you. You just tell them what you want to do and then they can they sign the documents, transfer the money and whatever. So in this scenario, if you wanted to buy a cow, well, then you would you would call up the offices. I'm going to do this. Cowpital gains and Bovidends deal and I'm going to buy a cow and lease it out. And all of the money goes from your account to whoever you bought the asset from. In this case, it was a cow. And then when you lease it out, all of the money from the leasing goes into your IRA. Doesn't come to you, it goes into your IRA.

Jon: Tax deferred or tax free if it's a Roth.

Ron: Not because wrong. Interestingly enough, John, your you said this is just like real estate. And I think maybe that that went over some people's heads. But it is exactly like that. If you actually go back and listen to some of the podcasts in the past, we talk about people who bought one house or one fourplex. And because of appreciation, cowpital gains, the thing increases in value. You can sell it and it can birth two or three other investments or other cows. Right. It really is very similar. It's probably not on the exact same cycle as the cows, though. The cattle seems like it might be. I mean, you've got to keep the things alive.

Jon: Yeah. I'll tell you one quick story.

Ron: When I was, let's say, the depreciation schedule on those things, that's what I want to know.

Jon: They are depreciable, by the way. Are they really? What is IDBI? Yeah. And I don't know what their life is, but yeah, they are. They are depreciable.

Ron: Unfreaking believable. You can depreciate a cow.

Jon: But not inside of an IRA because you know, because there's no taxability. So there's no. Oh my gosh. That's hilarious. OK. Yeah, you can. But interesting story. When I was a kid, I had a friend who he bought two cows with his father and my friend with...We were kids, but his father bought a cow with his grandfather. And I'm over their house one day. Guy must be about 14, 15 years old. And the father is talking to the grandfather. How's our cows doing? And he said, well, you go, son, I have some bad news. Your cow died, which they bought together. So, you know, I always talk about

part and don't partner, partner anything that can die because all of a sudden your half might die.

Ron: That's right. That's right, man. This has been fun. It's for me. I hope it was great for everyone. But I know there was there's a ton of information in here. But for me, this has been an absolute blast getting us back together. We're gonna have to do this again. Absolutely. For everybody else, too, because there's so much that goes into how this works, the intricacies of of how these self-directed accounts work and what you can do with them. You're really only limited by two things. And your imagination, you can't buy collectibles. You can't buy life insurance. And you just have to be creative. That's really it. And short of that, you can pretty much invest in anything you want. They're fantastic. So again, John, how does how do people get a hold of you and your company if they want to reach out, ask you guys some questions or transfer some money into an account with Mountain West IRA.

Jon: Our 800 number is 800 3 7 7 3 3 1 1. Our email is accounts@MWIRA.com. It's MountainWest IRA.com. We have offices in Florida and Idaho and just asked for anybody in accounts or business development and they will get on and help you immediately. Awesome. Couple of my favorites, of course, are Megan Galane, that is my daughter and Diane is excellent. Bianca is excellent, and so is Megan Brennaman. We have those are those are our top people. I highly recommend having a conversation with them. They are knowledgeable, they're sharp is tax and they will get it done and get it done right the first time and quickly.

Ron: Awesome. Well, we will put that in the show notes, guys. So if you didn't get that, just look in the show notes and reach out to John and Lisa. They're fantastic folks. Their team is amazing over there. They really, really do a good job. Guys, we've worked with, I think every single account manager in the country. If not, we've only missed a handful and they're head and shoulders above everybody else. John, thank you so much for your time. What an amazing 30 ish minutes. Heavy on the ish. It's been. Really appreciate it.

Jon: We had some good stuff to talk about and I just want to say, during the Corona virus pandemic, we are open for business. Yes.

Ron: So we often enroll and so are we, baby that we know. Shut down over here now. Shut down over here. Hey. Appreciate you. We'll have you back, guys. If you if you like the show. Give us the thumbs up. More importantly, write us a review. Share this with, share this episode with everybody. Everybody needs to know that they can self-direct their accounts. So share this out on social media. We appreciate you guys. Don't keep us a secret until next week on this front signing off.

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