CW 821

Jason: Welcome to the Creating Wealth Show, episode #821, this is your host Jason Hartman and thank you so much for joining me today. I hope you enjoyed our Flashback Friday episode #820. We did something a little different there. That was a tenth episode show and it was also a Flashback Friday. Now that happens from time to time. Nothing new on that but what was different we had Tony Alessandra on and he was talking about charisma and some other important things in life that can make us more successful and it was originally aired as episode 165 and why was it played as a tenth show 820 and a Flashback Friday? Well, we didn't have tenth episode show formats back then and go off topic and talk about something of general interest and not just real estate investing, yet it all seems to come back to being a more successful person or being a more successful investor. So that was appropriate for a tenth episode show so that's why we played it as episode 820 just before this one. So it's an amazing time to be alive as I always say and one of the amazing things that I think is going to affect us as real estate investors is… look, I'll admit I am connecting a few dots here and maybe I'm taking a little bit of a leap but technology is changing all of our lives. Big data is changing all of our lives and there is a new area in the world of big data and fin-tech, financial technology, fin-tech, you've probably heard that term and it is affecting every industry in the financial world. And one of the industries is insurance. Insurance is going to be changing a lot over the coming years, renting our properties is going to be changing over the coming years and the level of empowerment that we experience and benefit from as income property investors. It's going to be changing a lot in our favor for the coming years. So let me give you an example now. You know that we've had Gary Pinkerton, our Venture Alliance member and also retired naval captain and our client for many, many years who's been on the show and now working with Pat Dono?, whose also been on the show, they both working in the life insurance business and using insurance as a financial product and I never really believed that much in that idea, by the way until those two moved the needle for me. They were the only ones that could do it. Now, maybe it's because they were presenting a different product to me and they were just better at designing it or explaining it, and I think they were, but regardless of all of that I just want to tell you something about life insurance that I think is interesting and I think we need to connect the dots as investors.

And here's the leap I'm making. It's not too much of a leap really. I think you'll do that. Recently, I have told you in recent episodes about how credit scoring is about to get a lot better. A lot better with the help of technology and with the help of data and data mining. Instead of just using very simple things like the things that make up one's FICO score. Okay, let's talk about for just a quick moment. Again, I've talked about these in detail on prior episodes so check out those past episodes. There's a lot of in depth, nerdy, wonky details on this stuff but basically our FICO score is made up by the amount of available credit we have, the utilization of that credit, in other words have we gone out on a limb and used every last penny of credit we can get or are we only using a moderate amount of that credit. And then, of course, it's mostly based on what, our payment history. Our payment history. And then it's based on the amount of new credit we have so if someone's taken out a lot of new credit recently and using it all up, oh you know, frankly creditors get concerned about that. It's like this person, what do they have a gambling addiction,

a spending addiction, maybe they have an expensive new spouse. By the way, I think that's what I need. I need an expensive wife. That would help me spend my money. That would be good. Maybe not. Men more than women tend to complain about their expenses but women do it too, you know, there's a lot of guys out there that spend all the money in the family too. Anyway, whatever. At the risk of a tangent, at the risk of offending people, yes, there we go. So maybe that's the reason they're gobbling up so much new credit. There's a lot of inquiries on their report, so these are the types of things that make up our FICO score. A FICO score, if you look at it, is really pretty simplistic. It doesn't really do a very good job, frankly. And understand all, by the way, that there are many types of FICO scores. There's the FICO 4, FICO 8. There are many different FICO scoring models and then also, that's by the way Fair Isaac that was invented many years ago and also there are three credit bureaus so your score at Experian could be different than your Transunion score or different than your Equifax score. So this is complicated but again it's also not very good honestly at assessing risk for a landlord who wants to rent to a tenant or an issuer of any types of credit be it a mortgage, an auto loan, whatever. So credit scoring is about to get a lot better using about 1200 data points, 1200 instead of the meger about the FICO model uses. And this is going to make us better investors. It's going to make us more successful landlords because we're going to be able to profile tenants better than any time in human history. Yes, it is an amazing time to be alive.

So, let me take this back to this article I read about life insurance recently. Now, this is a Newser article and it says the key to easy life insurance—a selfie? By the way, I love it when my older, not so hip mother uses the word selfie. I just think that's really funny. It's funny to see someone of my mom's age use the word selfie. It just makes me laugh. So, here is a picture I'm looking at of older people, an older couple, taking a picture of themselves, and why are they taking a selfie? Well, it's to get life insurance, yes. Okay, so just let me read a little bit of this story to you.

"A selfie reveals more than whether it's a good hair day. Facial lines and contours, droops and dark spots could indicate how well you're aging, and, when paired with other data, could someday help determine whether you qualify for life insurance.

'Your face is something you wear all your life, and it tells a very unique story about you,' says Karl Ricanek Jr., co-founder and chief data scientist at Lapetus Solutions Inc. in Wilmington, North Carolina.

Several life insurance companies are testing Lapetus technology that uses facial analytics and other data to estimate life expectancy, he says. (Lapetus would not disclose the names of companies testing its product.) Insurers use life expectancy estimates to make policy approval and pricing decisions. Lapetus says its product, Chronos, would enable a customer to buy life insurance online in as little as 10 minutes without taking a life insurance medical exam.

If Chronos is adopted by an insurer – which would need to get regulatory approval from states to use it in the underwriting process – here's generally how it would work.

You'd upload a selfie to the insurer online and answer health and other questions. The facial analytics technology would scan hundreds of points on your face and extract certain information, including your body mass index, physiological age (in layman's terms, how old you look) and whether you're aging faster or slower than your actual age."

So, this is interesting. It is interesting and it leads to this whole new area in fin-tech that is going to make us better landlords. It's going to make banks better mortgage lenders. You know, I bought a policy recently from Gary and Pat and I was sorta amazed at how simple it was. I took a medical exam and all that but they never really inquired or verified much less how I eat, how I exercise. They really didn't see to care so much about all these things that I think matter and frankly I give myself a pat on the back for all the stuff I've done in the world of real estate and the predictions I've made that have come true so many times and you've heard those on the show because you've been listening for the last 820 episodes and for the last 12 years and you've heard that a lot of my predictions have come very, very true in the face of maybe a lot of the market that would disagree with me where other people were predicting the opposite of what I predicted or not seeing a nuance that I noticed. Okay, so Jason enough stroking your ego here. But I also think I'm doing a very good job at aging well and what is my secret? Well, listen to the Longevity and Biohacking show with my co-host Fernando who's on there but I will tell you just quickly a couple of my secrets. A moderate amount of exercise—just movement. Get up every day and move for literally four minutes. I kid you not. Yes, I have not always been the best at working out. But number one with working out you gotta do it first thing in the morning. Two, get a dog. If you have a dog, you're going to walk a dog and walking is really good for you. Number three—I really only drink three things. And just don't drink Coke or soda. Look at the label and see how much friggin sugar is in that drink and if there's a bunch of chemicals in that drink. So, the three things I drink: Coffee, water and vodka. Yes, a little bit of vodka but I drink a lot of water. I just always liked water. I like the taste of it. It's just very refreshing and I'm a big fan of water. So where was I going with that? Oh yeah, so anyway I had one guest on the show recently who talked about the credit score models and another one coming up that I'm going to talk more about credit scoring models. Look forward to more on that. I think it's really interesting and it means a lot to us as real estate investors. Stay tuned for more on that.

Now one of our cleint's and listener's sent me an email the other day. It's from Michael Schoenberger I think I'm pronouncing that right. Thank you so much for sending this and it was just a Wall Street Journal article that said, "Grab your pitchforks America. Your 401(k) may need defending from Congress. Congress is considering whether to reduce the benefits of contributing to a 401(k) and similar retirement plans, even as U.S. representatives and senators bask in the safety of the pension system that taxpayers fund for federal employees.

And he wrote me a note here and he says, Jason, you predicted it. Well, I didn't just predict this. I actually predicted more than this. I think Congress is coming for your retirement plan and folks watch out. Remember, the government is always going to go for the low hanging fruit first. The low hanging fruit. The easy stuff. And it will undoubtedly be in the face of disaster. There will be

a stock market crash, you know inevitably there will be another stock market crash. There will be this problem, that problem. Some sort of financial fraud that goes on and the government needs to step in to protect us poor little dumb people, right. Yes, that's always the guise that they do these things. This is the reason, by the way, I do not have a Roth. Okay. I have a retirement plan. I have two of them. I have a SOLO K and an IRA-type account. I do not have a Roth. Why don't I have a Roth, well, the Roth idea basically says this. In the future, taxes are going to be higher so you should convert your traditional plan to a Roth and pay all the tax today so you don't have to pay it later and if you're not going to pay it for 20 years, for example, then you know when you retire you won't have to pay tax on it. Just pay the tax now while taxes are probably lower and you want to pay again. Well, I don't like that plan. The reason I don't like it is I think the government is in the greatest financial trouble and I'm sure you'll agree with me on that. I'm a little too paranoid and pessimistic to have a Roth. I'm not in favor of the Roth idea. I know a lot of you do it. Maybe I'm going to be wrong about this but look anyway, that's just me.

All right. What else should we talk about? I want to recommend a couple of books on the subject of energy and environment real quickly. These I read, actually one of them was an audio book… oh, by the way, before I do that, I must tell you. Yes, it's an amazing time to be alive. One of the greatest, most awesome, most useful, most inexpensive pieces of technology I've purchased in many, many years is I think by far the best tech product in the last five years and you should go out and buy some of these. They are the new Apple wireless airpods. Whoa! Do I love these things. I can listen now to so many more podcasts and so many more audio books. I mean, my brain is exploding with new knowledge since I got those airpods. I think they're $159. My only concern is about all the radiation they're putting into my brain but there's a thought that even the wired earbuds do the same thing and they… some say they may be worse because that wire that goes to your phone acts like a conduit, like an antenna that conducts all that radiation so I don't know, you know, who knows. But, we're all taking a lot of risks living nowadays. That's that. And by the way, if you don't have an iPhone, I think you're really missing out. Smartphone users, and I know so many of them and they just don't get as much value out of their phone as the iPhone users seem to. Anyway, just a thought there.

This one great book, I did listen to on audio is called Smaller, Faster, Lighter, Denser, Cheaper. Innovation keeps proving the catrophists wrong. Wait, is that a word. You know, all the doom and gloomers. Technology keeps proving them wrong, innovation keeps proving them wrong. The book was fantastic. It talked a lot about energy. The other one was called The Bet. Anyway, it's really good. It's about the two environmentalists who were big in the 70s and they just had this huge bet and you know on one side it was catastrophe and on the other side it was this bright future obviously—the catastrophe didn't happen, the bright future did happen and anyway The Bet is really quite interesting. By the way, my comments previously on Dodd-Frank are not necessarily a promotion of the banks getting stupid again. I don't believe they should. I hope they never do but I am just more being a commentator on how I think the repeal or softening of Dodd-Frank by the Trump administration is going to make money just massively flow into real estate okay. So, again, it's an observation, not an endorsement by the way.

Before we wrap up today's episode, let me just share a couple of these headlines that, you know, headlines a lot of times they're click bait. You know what click bait is, right? But, they're also telling, you know, just the headline alone tells you a lot about the state of people's minds and the state of the crowd, right? So Reality Track rates its best US markets for buying residential property in the first quarter of 2015, property tax rates for homeowners who own high-end or low-end homes, renting more affordable than buying in 58 of the US markets according to the 2015 rental affordability analysis. Renting less affordable than buying, and this is the next headline, in most US markets but not where millennials are moving most. Let me read that one again. In most US markets but not where millennials are moving most. So renting is less affordable, in other words saying you should buy not rent but this is not true millennials, the Gen-Y people just moving into the workforce are moving the most. Yeah, I'd agree with that completely. Interesting. 87 percent of US homes qualify for down payment help according to Reality Track and down payment resource analysis. Then the last one, third quarter foreclosure activity increases from a year ago in 32 states. The increase is pretty minimal. Nothing to where we were before so… very interesting stuff. You know, I'm going to bring this article back and dissect it a little more. It's pretty long and there's more to it that I want to talk to you about and we will do this in a future episode. By the way, go to Jasonhartman.com, check out some of our resources there, check out the resources page, our property tracking and analysis and also the great educational products and properties we have again as you know we are I in a very low rental market place right now. You're got to be working with an investment counselor so any of the web forms you fill out on our site at Jasonhartman.com will help an investment counselor get in touch with you, especially if you leave your phone number and we'll help you individually in picking the best properties to build your nationwide income property portfolio. Until the next episode on Wednesday, I'll talk to you in just two days from now. Happy investing.