

Epstein #3

[00:00:00] Hey everyone. Charlie Epstein here and welcome to my Yield of Dreams Podcast. This is the show that asks the questions. What does it take to pursue your life's passion? I mean, to really go for what you've always dreamed about to do what you truly love and why do so many people sell out their dreams?

[00:00:19] And aspiration for a job they hate and a paycheck that's less than fulfilling. During the show, I'm going to interview different people about how they've strived to go for their passions in life. And how do they balance that with the need to earn that paycheck. We're going to hold up in the light, your myths about money, not to try to change them, but to eliminate them to have you begin to discern, where did this come from and how do they impact your life in the distance decisions that you've made and to see if you'd be willing to just let them go.

[00:00:52] And maybe replace them with a new money strategy that will produce a better result and ease your pain and suffering [00:01:00] about your money. So let's dive right into today's show. That's Charlie Epstein of Epstein Financial, and this is his podcast Yield of Dreams. I'm Patrice Sikora, [this particular episode as part of a mini series on myths about money.](#)

[00:01:17] It's based on a deck of cards developed by Charlie and in a previous podcast, we delved into mortgages and whether you should pay off that home loan, so you can be debt free in your desirement years. This episode, Charlie will tackle the question [is owning a home really good investment.](#) Well, Charlie, I always thought it was, that's what I've been told.

[00:01:38] Well, where did you learn that? From all the people around me, my parents, your parents, your parents' parents, and yeah. You know, most people that I talked to and I've been in this business for 41 years, tell me my home is an investment and I like to tell a Dick joke. Oh, okay. [00:02:00] So I have a very smart client.

[00:02:02] Whose name is Dick. And Dick is the CFO of a very successful company. And he's been a client of mine for over 30 years. And for those 30 years, unbeknownst to me, he was determined to prove me wrong about this myth. Now we should back up a little bit because what is a myth? A myth is something that you believe to be true.

[00:02:26] That turns out not to be true. It's really a disbelief. About something that you think is actually factual. So that's what a myth really is. And recently Dick and his wife were in my office to discuss his wife, retiring from teaching, and Dick was going to go part time. And he said, you know, Charlie, for 30 years, I've been telling my wife and kids and everyone, I know that I'm finally going to be the person who's going to disprove Charlie Epstein's myth.

[00:02:53] And this is myth number one. In my deck of cards. These are your desirement deck of cards. The [00:03:00] cards are deal yourself into the life you desire. And we'll let you all know at the end of the show, how you can get your own deck of cards to figure out what myths do you have about money? What are your biggest priority goals right now?

[00:03:11] And for that matter, what are your biggest desirement dreams? So Dick was with his wife and he said for 30 years, I have been working diligently to prove you wrong. To prove the fact is my home is an investment. And I, so tell me, tell me, tell me how that's going for you. **And he said, well, we're going to sell our home, which they paid by the way, 200,000 for 30 years ago.**

[00:03:34] And they had the house on the market for 600,000 and then they were going to sell that and move into a smaller home that was only going to cost them 200,000. So Dick was very excited because he was going to pocket a \$400,000 profit. And prove me wrong to be able to say, see, my home is an investment. I made a 400,000 profit.

[00:03:56] I said, that's fantastic. I said, so what happened? [00:04:00] And Dick smiled. And, he said, well, they had some of that offered them the \$600,000. Right. And then the inspector came to inspect the house. And a lot of people don't know this, but in where I live in Western Massachusetts in Northern Connecticut, 30 years ago, the quarry where the stone was pulled out, it's the concrete turned out to be defective.

[00:04:29] And there are hundreds, if not thousands of homes in Western Mass. In Northern Connecticut whose foundations are crumbling. So yeah. So when the inspector came to inspect Dick's house, they found out that his foundation wasn't as hard as he thought it was after all, they were lucky to get \$200,000 for that house that they paid \$200,000, 30 years ago.

[00:04:57] But now wait a minute, isn't that an exception? [00:05:00] Well, first. It is a Dick joke, but secondly, let's talk about other exceptions, my mother and father, who, by the way, folks, I mentioned on my last podcast, you know, my dad wanted to pay cash for his house. I made him take out a mortgage. Now, when I grew up, we grew up in a modest house and my parents sold that house.

[00:05:21] And, you know, they upgraded to larger homes, but then one day they moved to Florida to build their house of the dreams. In Florida. So they built the house. It was about a half, a million dollars on a golf course, and it's about 3,500 square feet. And when my dad passed away, about 14 years ago, I moved my mother back North to build her a home in a over 55 community.

[00:05:46] So that house, that was \$500,000 that they had built in Florida when they went to sell it. The real estate market in Florida was overbuilt. Nobody wanted to join a golf course. And we were lucky to get [00:06:00] 400,000 for that \$500,000 house. Now, when I moved to North to build a house in over 55 communities, it was an 1800 square foot house.

[00:06:10] Guess how much that costs? Yeah, no, I don't know. 450,000. So we sold a house for 3,100 square feet for 400,000 and built her an 1800 square foot house. For 450,000. And then about two years ago, my mother called me up and she said, you know, I've been thinking, and at this point she was, it was three years ago, 89 years old because now she's 92.

[00:06:35] You said it, you know, I've been thinking, I said, mom, what have you been thinking? She says, I've been thinking, I don't want you to get a phone call from the neighbors. We haven't seen peg in a while. And there's a funky smell coming from her house. I said, Oh, well,

mom, what have you been thinking? She says, well, I'm done thinking I went over and put a deposit down on an apartment in an assisted living facility.

[00:06:54] You need to sell this house. And I did. I sold it in a day. [00:07:00] Hmm. Guess how much I sold her 1800 square foot house that I paid 450,000 for 500, 300, wait a minute. That's going in the wrong direction. Right. And then we, bought her a apartment in an assisted living facility. That's about. 850 square feet for 400,000.

[00:07:20] And my mother has promised that when she passes, the coffin that she's going in will cost more than all the homes she's ever built and lived in. It's a myth. The myth that people have is my home is an investment. And the reason that I say it's not an investment. Yes. Could you potentially sell and make more?

[00:07:43] Of course. But you still have to go live somewhere. So what tends to happen is even if you made more money, you're going to buy another home to live in, and you're going to spend that money on that home. You know, Dick said, well, they're going to move into a smaller home. That was 200,000 and he [00:08:00] lost \$400,000 in the deal because of the foundation.

[00:08:03] Inevitably something happens. The market change, the real estate market interest rates. Your needs is your demands. That my whole point about it being an investment is. You're not going to have that much money left over that. You're going to be able to eat your home and what I'm really focused on for people here at Epstein Financial and the work that we do is helping you figure out how you're going to create a paycheck for life, to pay for all the things you desire to do.

[00:08:30] One day someday. Hopefully sooner rather than later. So you can be living your passions, living your dreams, living your aspirations advocate instead of paying money in a mortgage payment, paying that money for rent. Where does it go? Well, no, I believe in owning a home. Okay. And I, and there's a difference.

[00:08:51] So I own three homes. I own the home I live in. I have a property on the beach. And I have [00:09:00] a townhouse in park city, Utah, because we love fly fishing and skiing in the winter. So I don't consider my primary home and investment. And here's why when I bought that home, I renovated it. And my contractor, as I was spending a quarter million dollars to make the home the way I want it said, you know, you're never going to get this money back.

[00:09:19] I said, I don't care. And he kind of looked at me perplexed. I said, every day, I want to pull up to this house and go, Oh, I love living here. I says just perfect. Now the house I own on the Connecticut shore, that's an investment. Well, I sell it and my wife tells me, cause she wants to buy another house. The house out park city, Utah, that's already doubled in value.

[00:09:43] Will I sell it? Maybe if I need a bigger place, but I look at real estate as something to buy to enjoy. Now, if you're a real estate developer, If you're in the real estate development business, if that's your business to buy and [00:10:00] sell and invest in property, then you know what you're doing, you're doing it.

[00:10:04] Like I do buying stocks and investing for my clients in order to help create that paycheck for life for them. **But that's very different than somebody that buys a home, their primary home and says, well, this is an investment because I'm going to sell it someday and downsize. No, you're not 99% of the time.**

[00:10:22] Nobody ever downsizes. They upsize, you know, nobody wants to have life be smaller. In most cases, you know, we talked earlier about this notion about paying your house off, which is another big, big myth because people don't, I ask people, I say, all right, let's say you paid your house off. It's worth 500,000.

[00:10:42] And you wrote a check for \$500,000. What is the equity on that house earned? And they say, well, it depends on you know, the appreciation of the value of the house. No, no, no, it doesn't. I said, what do you mean? I said, if I didn't have any equity in my house next door to you, and they were the same value and they both appreciated by [00:11:00] 10%, I would make a higher return than you did by paying cash.

[00:11:05] If I paid nothing and made 12 monthly payments and got to deduct the interest on those payments, it's almost a 200%. Over return. The thing that we're trying to teach people here is about things called leverage, OPM, other people's money, USM, uncle Sam's money, and leverage in the VIG. It's about how to be a banker, how to be your own bank banks, loan, money out to people, and they make money on the spread.

[00:11:37] The difference between what they Charge you for interest in what they can earn on that interest, less their expenses. That's the sprint, that's the viD. So what a book he does, you know, he makes a bet and tries to make money on the spread between what he invest in when he gets back and **people don't operate their households, like they're on the banking system.**

[00:11:59] No, that's [00:12:00] true. Very true. I think that way, which strategists, but because we don't teach the banking system, we don't educate our kids on finance and economics. People say, well, we should teach economics. We should teach finance, basic finance. How do banks make money? How do you operate as a bank? How do you use other people's money?

[00:12:21] And one of the biggest myths that people have is fear. They want everything paid off because they don't want to have a payment. I always say why. Well, then I feel good. Cause I don't have a payment. I said, well, are you going to buy anything? Are you going to enjoy your money someday? One day when you finally reach your desirement years and then what happens to people is they're so petrified of running out of money, that when they finally stopped doing what they hate doing their job, And maybe do what they love to do.

[00:12:54] If they know what that is, they don't want to spend any money, frozen [00:13:00] right now with COVID head people aren't spending as much money, right. They're not able to do as much, but what an incredible time right now, we're living in to really evaluate what's really important to you. What really matters most? Is it family?

[00:13:15] Is it friends? Reading a good book? Exercise. No dieting, maybe taking a cooking class, online health vitality, full self, self expression. Isn't part of that security and not having the bills. That's a sense of security and owning a home. That's a sense of security. Well, it is,

but it's a false sense because your money isn't working for you, the equity in your home loans, nothing period, zip.

[00:13:48] So if I, if you had a home and it was worth \$500,000, and I said to you, you know, what, how would you feel if you had \$500,000 in the bank earning nothing. How would you feel bad that that's a waste of [00:14:00] money? Yeah. So that's what you're doing. When you have a house paid off, the 500,000 is dead money. But I could argue that you're using that money because you're living, you're living in it.

[00:14:12] All right. I moved next door to you. And I take out a \$500,000 mortgage. You don't have a payment, but I do. Right. Okay. So mortgage rates right now are 3% and that \$500,000 mortgage payment is, let's say I'll just use a round number of 15,000 a year. Okay. Now I'm going to the 40% tax bracket. And under the current tax code, I can deduct the mortgage interest.

[00:14:43] Up to 750,000. So if I had a mortgage up to 750, so because it's 500, I can deduct the whole 15,000. So I'm getting a, I'm getting uncle Sam USM'S money. I'm getting them to write off 40% of that 15,000 that's six grand. What's my [00:15:00] net cost of borrow nine grand. Well, here's the easier way to think about it.

[00:15:06] If I put a hundred thousand down and borrow 400,000. I have my 400,000 to go invest. Now the interest rate is 3%. I get to write off 40% of 3%, which is 1.2. So my net cost to borrow money from the bank is 2.8%. And as I told my dad and mom, when they moved to Florida and put a hundred down and I invest that 400,000.

[00:15:35] I said, if I can't make you more than 2.8% net on your money, fire me as your financial advisor, we made seven to 8% on average a year. So I'm generating enough money to pay their mortgage payment with more money leftover for my dad to play all the golf you want it to. And my mother doesn't make all the vodka.

[00:15:53] She wanted it to, and she could drink more vodka than he could play golf. So they were married for [00:16:00] 56 years, less than, I don't know. That's leverage. And so this nervousness people have is, Oh my God. You know, what if I can't make that money? Well, **what do you recommend then when you have this mortgage, you're getting close to the end of it, refinance.**

[00:16:18] Oh my God. Absolutely. You know, it was funny. I, as with clients the other day, they're in their seventies and they have three properties and they're all paid off and we're having this conversation. And I said, so you got \$2 million in equity in your three homes. What does that equity are? And he smiled, looked at me.

[00:16:32] He said, absolutely nothing. I said, and I thought you were a smart guy and he started to laugh. He goes, you know, it's pretty stupid. Isn't it? He said, I could, I could go to the bank right now and borrow money at 2.8, 5%. Maybe get a million dollars. I said you could, but let me ask you a bigger question. Do you need to?

[00:16:53] No. I said, what would you do with the million dollars? Nothing. We have everything we need. I said, okay. [00:17:00] Then don't borrow the money, but you could borrow that

money and invest it. Well, that's what we would do and make them more money. He brought it up and I don't think it's a dead conversation. Will they do that?

[00:17:16] I don't know. It all gets, goes back to what do you desire? What do you need in life? Now if they were really philanthropic and surely minded and they wanted to enjoy giving money away, why are they alive five. Wow. That would be nice. Yeah, you can take that million dollars. Put it in a **charitable remainder trust**.

[00:17:40] What's that folks charitable remainder trust to give a million dollars to a charity or charities, they invest that money and they pay you the income on that million. Let's say they're going to pay you 6%. I'm being conservative. So that's 60,000 a year. [00:18:00] And yeah, his mortgage cost is 2.8. So 6% minus 2.8.

[00:18:06] He's still making 42%, right? Yeah. Still making an extra \$30,000 that he can put in his pocket. And when they pass away that million dollars goes to the charities. But why they're alive? The charities are raving about them. The Rinaldo's gave a million dollars to the cancer foundation or COVID foundation or their church or their synagogue, or, you know, multiple charities and people don't realize the economic power of money.

[00:18:37] Tell me about that. Well, you know, there's a thing called being an economic citizen. And I don't think enough people are really, cognizant of that. And you know, when you become an economic citizen, you really start to look outside of yourself and say, you know, I've, I've got a pretty good, and I'm talking.

[00:18:54] Even if somebody is making 30, 40, \$50,000 a year, you don't have to be a millionaire to be an economic citizen. [00:19:00] You know, there's the old motto, save 10, give 10 and spend the rest. It's pretty simple. It's the 80 10, 10 rule. Save 10% a year. That's my ten one. Now formula, we'll get to that. And another, you know, just save 10% save or invest 10% of your income.

[00:19:18] Give away 10% of your income and spend the rest. And you'll be fine for life. You'll never be in debt up to bad debt. **There's good debt and bad debt. By the way, bad debt is credit card debt. You can't deduct that interest. That's bad debt. So I don't believe in all debt. Good debt is the kind of debt where you can.**

[00:19:38] Leverage by using OPM other people's money and uncle Sam's money, the tax write off to make money on your money. And when you do that, you go, you know, it's interesting because like I say, the biggest asset most people own is their home and equity is a dead asset. And you answered the question. I said, if you had \$500,000 or any, nothing, how would you feel?

[00:19:59] He said [00:20:00] awful. That's the equity in a home. You should feel awful. I'm feeling awful. There's was something you can do about it. Yeah. And now it's even better. And interest rates are so low, but here's the other thing somebody says is, you know, my father said, well, but who's going to pay this house off when I die.

[00:20:19] What's your mother gonna do? I said, well, she's not going to live in Florida because she doesn't play golf and Marshawn. So we moved her back up here and my mother is not

saying who's going to pay off this \$400,000 debt on my assisted living apartment. She doesn't give a shit. All she cares about is does she have enough money to drink all the vodka she wants to do and be happy?

[00:20:38] And she's doing that and you're making sure of it. Absolutely. My, you know, my job is, does she have a paycheck for life to do everything she wants to do? And when she passes away, I'm not moving into the assisted living. My brother lives in Beijing. He's not my sister lives in Madden. We've got to sell it and it's already built in.

[00:20:55] They have a buy out when you buy one of these assisted little. So it's already [00:21:00] built in. When she goes, we get 90% of the value back. And then I just write off the other 10% sweet. So just to make this clear, now you're not saying don't buy a house. You're saying don't pay off that house. **That's another myth renting is better than owning.**

[00:21:19] Now. It depends. There could be a period of time when renting is better than owning. Like if you're not sure where you want to live and you're buying time. Right. Right. If that makes sense, unless you're a risk taker and you say, well, Jesus is interest rates are so low. And right now, I mean, right now the real estate market is pretty amazing in the middle of COVID is on fire.

[00:21:45] It's a bidding war pretty much all around the country right now. I hear this from other financial advisors and clients that I have all around the country. I mean, you put our house on the market right now, and there's seven to 10 people bidding on that house because there's a [00:22:00] lot of pent up demand. I think people realize we're not all dying from COVID and people are looking to take advantage of this opportunity.

[00:22:10] The other thing is people are looking to get out of the major cities. Yeah. Yeah. But with interest rates at this level, we haven't seen interest rates at this level in decades. Well, not since the credit crisis, right? Because when the fed rate was zero on the credit crisis, so you're right. A decade, as you know, I have a mortgage at 2.75 and 2.85 that's nice from 2008.

[00:22:34] Well, you can get that now. I mean, you could get a 15 year mortgage right now, probably at 2.7, five but 3 years or around three that's phenomenal. That's cheap, especially if, as you're advocating you, don't pay it off anyway. Why pay it off? And when you pass away, are your kids going to live in your house?

[00:22:55] Now? They're probably going to have to sell it. If you have kids, if you don't have heirs, what do you care? [00:23:00] So tell me all this time. I've been paying down the extra principal. Cool. Well, you're making the extra payment not good, huh? Well, think about if you. How long have you been doing that for? Let's not go there, 10 years.

[00:23:17] Think about if you had taken that extra payment and just put it in a simple S and P 500 mutual fund for the last 10 years, you'd have, you know, three, four times the amount of money in your pocket. And if you wanted to pay the house off, you could do it. This is why I love talking to you. I'm glad you're on this podcast with the lad and people.

[00:23:37] I did it. I've been doing it. This is, I was all my life. It's like, yes. But where did that come from? What ms. Did you have parents in here? Yeah. Your parents. Yeah. So folks, this

is all about holding up in the light, your myths about money, and I'm not trying to get you to change your myth. But I am [00:24:00] trying to get you to figure out where did it come from?

[00:24:03] Does it still make sense given what you really want to do in life and that's should be the driving factor? What's your passions? What is it that you really dream about doing what do you really aspire to do? And are you stuck in a job that you can't stand? Because it's giving you a paycheck? And you're afraid, you know, when people have excuses, you know, I have a family now and I have bills.

[00:24:28] And what if and with that in mind, tell us about this deck of cards that you developed. Yeah. So, you know, if you've been to a financial advisor before, they usually give you a pile of paper and questionnaires to answer, you know, about yourself and your future and what are you interested in?

[00:24:48] That kind of thing. And we used to do that as well, and it's pretty damn boring. So, what we did is we created a deck of cards is 52 cards in the deck, and we really want to create an experience for you. And [00:25:00] if you're married, your spouse or your partner and significant other. So there's 20 cards that are called priorities.

[00:25:08] Now all you do is you go through those 20 cards and pick out your top three priorities. Now could be retire early, a budget to maintain my lifestyle. Clear guidelines for entering an existing, a family business. If you have one prayer pairing next generation leaders paying off student loans, whatever it is, pick your top three priorities now, and you've have a significant other partner or you're married.

[00:25:35] Do it separately. First you can share afterwards then there's 20 desirement dreams. What do you desire to do most in your life? Serve on a nonprofit, harmonious relationships with and among family members, help my children, financially take up a new hobby or learn a new skill, travel frequently. Be debt-free become a sniper.

[00:25:58] Okay. So [00:26:00] pick your time three desirement dreams. And then we have 14 myths about your money, which we went through today. Owning a home is a good investment. Is that a myth? Or a fact for you. So you go through those 14 cards. What's really great about this. And we've been doing this now for several years is when we have clients that are married or have a significant other, and they sit down and they do the cards and then they share them with each other.

[00:26:26] First of all, they're excited to see what do they have in common and what don't they have in common. But I've had people say, wow, I never knew that's what he really dreamed about or what she dreamed about or what she's most interested in right now. And it's a. Very simple process, but it's transformational.

[00:26:43] And now we can focus on, alright, we want to achieve these priorities in the next one two three years, we want to achieve these dreams and the next one two three years, and most people unfortunately start with the obstacles. You know, I can't have what I want [00:27:00] because I don't have enough money. I don't have enough time.

[00:27:02] I didn't have a good enough education. Nobody believes in me, blah, blah, blah, blah, blah. It's all doubt. Doubt, doubt, doubt, doubt. What I say is start with your dreams and your goals, and then identify these obstacles that you think are so real. And what I tend to find is everyone's personal obstacles are made up.

[00:27:24] They're not real, just like your myths. Aren't real. It's something that you've created. It's a construct in your mind as to why you can't have what you want. And in this show, this podcast, I'm going to be interviewing people in the arts and the entertainment world and the health world and vitality world, the human longevity world.

[00:27:45] We're going to be talking to people who have gotten right up. In front of and smack dab into their obstacles and overcome, how did they overcome them so they could do what they're most passionate about. [00:28:00] I mean, we still have to wake up in the morning. You still have bills to pay. You still have to feed yourself.

[00:28:04] If you have a family, all of those are obstacles. And how do you pursue your passions and bring the money along to serve you? And that's the problem. Most people are slaves to the paycheck. And are not being served by the work that they do. How can people get a deck of these cards? They can go to <https://www.epsteinfinancial.com/> right on the website and order them from there.

[00:28:33] You can email me at C D actually you can email Marie Forest, my assistant M forest, M F O R E S T. At the T H E four Oh one K like your 401k plan, coach.com mforest@the401kcoach.com or you can call (413) 224-3606. And we'd love to get a [00:29:00] deck of cards out to you. So you can start identifying your desirement dreams, your priority goals.

[00:29:07] And your myths or facts about money. Thanks Charlie. Charlie Epstein of Epstein Financial and to subscribe to all of Charlie's Yield of Dreams podcasts, all you have to do is subscribe. Use the button on the page and you can share with the share button. I'm Patrice Sikora, the perfect foil. And let's talk again later.

I want to thank you for listening to my podcast, Yield of Dreams and learning how you can create paychecks for life to ease your pain and suffering about your money and begin to pursue all of your passions, dreams, and aspirations. You're listening to Pedro Martinez, jazz music. Amazing sound. Be sure to look him up as well, and be sure to click the subscribe button below so you can be notified when new episodes become available.

And you can reach me directly at cdepstein@the401kcoach.com C D as in David Epstein. That's E S T E I N@401kcoach.com. Look forward to connecting with you and being of service to you in the near future. Peace, everybody .

Commented [1]: Previous outro. The new outro begins right after "facts about money"