Episode #229: Is the US Debt Iceberg on Your Radar?

Video Transcription

Hello, my name is Sal Mendoza, and welcome back to "Money Script Monday." Today, we're going to be talking about “Is the U.S. debt iceberg on your radar?” Let's dive right into this presentation.

One of the things that happened here in 2022 is that we had the third variation of the COVID-19. But more importantly for us, or equally as important is that, and this is not great news, is that the U.S. crossed over the $30 trillion mark in debt. That is an incredible amount of money.

When you go back to 2000, I think our national debt was around 5 trillion, and in 2010, probably around like $12 trillion. Today's? 30.

We've had wars. We’ve had the financial markets of 2008 fall apart. And of course, these last three strains of the COVID-19, which has been a lot of stimulus packages going out to individuals and to businesses. That's why we’ve crossed over that $30 trillion for those three major reasons.

One of the things that I wanted to talk about is hey, you know what? There's a problem. But you know what? I want to tell you a little story here as we get into not only a bigger problem but a solution.

So, my story is about 10 years ago; I had a friend, and he had a 74-foot yacht, and I decided to jump on that thing. We decided to go to the Columbia River.

The Columbia River splits Oregon and Washington, and it was one of the most incredible vacations that I ever had. It took us like nine days to get up there.

On my first night, I had to watch this radar screen. The radar screen is exactly like you've seen in movies and things of that nature. You have these little blips of lights, and you have these high-powered binoculars.

I would look to see, making sure that I wasn't going to run into anything because it turns out that there are shipping lanes out there like you're driving like on a highway. But off to the left, there be some large blips.

There were these massive freighters coming in from China. These things are massive, and they don't move for anyone. Our job is to move out of their way, because if you get hit by them, well, that's the end of you. That's the iceberg.

When we look at it from a financial perspective, we have a time machine, that's able to kind of see in the distance. We're at $30 trillion, that national debt per each paying U.S. taxpayer, that's around $240,000.

In just four years, in 2026, our national debt is going to go over $50 million. It's going to be around $388,000 per taxpayer if we were to pay it off. We'll never pay it off! We're always going to have somewhere between 35% and 50% of GDP to our national debt, right?

That's where it’s always going to be; but when you go over 100%, that's when the problem starts. That's means that the standard of living is going to go down. I believe that one of the administrations in the future is going to tackle this. There's some concern there but there's a solution as well too, at least a partial solution.

In the next part of this, I want to introduce to you the five colors of money. Now a lot of people only think of money as one color, and that's green. But I want to say that there are five colors of money. Let me explain a little bit more. Those five colors, by the way, are going to be your yellow, your green, your red, your blue, and your black.

Typically, in your yellow is 1% to 3%. It's your savings, your checking, it's your lifestyle. It's also where you have your three to six months of what we call emergency funds.

Your next bucket is your green bucket that's going to be typically your 401(K)s, your IRAs. I see a substantial amount of people's money in this particular bucket. You're looking anywhere from a 4% to 7% growth.

Finally, you have your red, which is going to be the actual market itself. There are a lot of people who like picking stocks like Tesla; they enjoy that activity. Some people want to be in the market, but they don't want to be that involved. So, you bring in someone like, like LifePro asset management.

I normally see about 100% in the three buckets that you see here, your yellow, your green, and your red, and that's fine. But because of this national debt, and because I've been in this business for 20 years, I think it's important that you start to bring into focus two other buckets that are not talked about as often. That's your blue, and your black.

Your blue is going to be your index universal life because it allows money to grow tax-deferred, just like your green bucket. But unlike the green bucket, it allows you to take the money out tax-free in the form of a loan. Incredible.

It has a death benefit if anything happens. It has tax-free properties. Also, a lot of these products have ABRs: accelerated benefit riders. You come down with chronic critical, you're able to accelerate some of that death benefit.

Finally, in the black one is your fixed index annuity. If you don't qualify because of health reasons, you can shift into the black. But even if you do qualify, it's important to have a black bucket. Why? Because it provides a guaranteed income stream just like Social Security and a pension.

In this particular presentation, we're talking about this radar, we're talking about this national debt, we're talking about an administration that at some point is going to say, "Okay, enough is enough national debt. Let's go ahead and raise the taxes."

If you now think about shifting, I would say 10%, 30% from the first two buckets, the second and third bucket, which is going to be your green and your red, and you shift it into your blue bucket, which is your Indexed Universal Life, what that's going to do is that's going to create a kind of firewall from any administration that decides to raise those taxes.

If you want more details about this conversation, about the five colors of money, my name is Sal Mendoza. Feel free to reach out to me.

Thank you for letting me share.