Scott Brooks Video Transcripts

VIDEO 31: 6:45

SCOTT: So, let me tell you how to read this first. Notice each of these green-capped columns are. These are each strategies, okay? All right? This is a strategy, and these are the year-by-year returns going backwards, okay? Strategy, strategy, strategy. Now, over here there's gray-capped column. This is not a strategy. This is an index. This gives us something to gauge the strategy against, okay? Now, whenever you look for strategies, the first thing you always look for are what? Losses. Losses. Look for the biggest losses on the whole chart. See that loss right there? See that loss of 9.95? That's the biggest loss on the whole chart. Let's move over here. See that minus eight? That's the second biggest loss on the whole chart. Now, besides those two losses, what do you notice about these other losses? Minus two, minus one, minus four, minus .73, minus .11. What do you notice about those losses?

ROY: They're small.

SCOTT: They're small, that they recovered quickly, all right, and that they're infrequent. Does that make sense guys?

ROY & PATTY: Uh-huh.

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SCOTT: Now, let's take a look at something here. Remember in 2008 when you guys got shellacked so bad, lost 50% of your money and it took you what, five to six years to recover from that? That can't happen again, right?

ROY: Right.

PATTY: No.

SCOTT: Well, look at this. If you had been invested in these strategies, as demonstrated right here, in 2008, and been invested in these four strategies equally, this one would have lost about 10 percent of your money, but this one would have made you a 33 percent return, this one a 3 percent. and this one a 15 percent. When the market tanked and you guys lost half of your money, had you been invested in these four holdings equally that year, you not only wouldn't have had a loss, you would have had a gain on your portfolio. You see that? Yes, this one would have lost, but these other three made more than enough to offset that thing. You would have had a profit instead of a loss. You see that? This is how, this is one of the ways that the wealthy invest their money in this country. Did you ever notice you never hear wealthy people complain about losing money? You know why? Well, they have losses. They lose money but they don't lose money like -- and I hope I don't offend you by saying this -- they don't lose money the

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same way regular middle-class people do. That's because they don't invest their money the same way as you. They invest their money in things like private wealth strategies. Now, let me answer a question here that everybody always asks at this point in time. The market was down so big in '08. How on earth did that guy make a 33 percent return? Let's look at it. Believe it or not, he didn't do anything fancy. Here's what he did. He owned a bunch of investments for his clients. And then throughout late 2006 through the summer of 2007, the risk levels of the market kept rising and getting higher and higher. And as the risk levels got higher, he kept saying man, the risk is getting bad over here, I needed to money some of the money over here where the risk is lower. So, he kept saying thank you for the profits, but I need to move it over here. And he kept doing that all throughout late 2006 to the summer of 2007, and by the time the end of the summer came in 2007, he had all the money sitting over in these low-risk investments. And he's like, there's nothing I see over here that looks like a good deal. The risk is too high. And then, if you remember, in late '07, October of '07, the stock market started to do what? Crash. And it crashed in '07. And people panicked and started to sell. And then in '08 it really crashed and people really panicked and started to sell. Well, you got to remember, whenever somebody sells something in the stock market, they have to buy something with that money, all right? Even if you take

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cash and you put it in a checking account, you bought your checking account, right? If you take money out of the market, you got to buy something. So, all these people sold stuff. They needed someplace to invest it, and they looked all around to find something and they go "Oh, look over here! The risk level is really low!" So, everybody goes WHOOSH, over here to buy, and when a bunch people buy something, what does that do to the price? Shoots the price up. This guy's sitting over here going "Oh, thank you!" That's how he made the big returns. And you know what happened next? He's like "You know what? The risk level here is looking pretty high to me." So, guess what he said? Risk level over here where everybody just left is looking pretty low. So, guess what he started doing? Moving the money right back over here. Now, look what happened. In 2007, when the market started to crash, he made a 13 percent, then he made a 33% when the market really crashed. And then, when the markets started to recover in 09, 10 and 11, he made good returns. You see that right there? He didn't do anything fancy, he just followed his risk management strategy. That's how you succeed. If you're going to take losses, they need to be small losses that happen infrequently that you can recover from quickly. And I want to show you an example of what mean. Look back up here. Look at 2015. Something happened that year that I hate. Look what happened: loss, loss, loss, loss. All four of them lost money. Had

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you been invested in each one of these holdings equally, you would have had about a two and a half percent loss that year. And I hate the facts that they all lost. But you know what a two and a half percent loss is? It's easy to recover from. Does that make sense? It's a small loss that you can recover from quickly. Now, watch what happened. In 2016, two of the four actually lost money again, but two of the four made money. So out of eight possible periods -- one, two, three, four, five, six, seven, eight -- of those eight, six of them -- one, two, three, four, five, six -- had losses. Two had gains. If you had been invested in those four holdings equally in 2015 and 2016 you would have had a profit on your money. You know why you would have had a profit? Not because these two did so well, but because these other ones kept their losses small. If you're going have a loss, make it a loss you can easily recover from. Does that make sense guys? That's kind of loss you need to have. Now, I hate losses, but that's kind of loss where you can say "Meh, that doesn't affect me." You see that?

PATTY: Uh-huh.

SCOTT: So, what questions do you have about these low-risk strategies?

ROY: Pretty straightforward.

SCOTT: Looks pretty good?

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PATTY: Yeah.

SCOTT: Well, if there's no questions, this is where I need feedback from you guys. Based on what you see here, is this something you don't like and we should take it off the table, or is it something that looks pretty good and leave it on the table?

ROY: Leave it on the table.

SCOTT: Patty?

PATTY: Leave it on the table.

SCOTT: Looks good?

PATTY: Yeah.

SCOTT: Okay, good. We'll leave it on the table, then. All right, now what I want to do is I want to shift gears. What I want to do now is I want to go and take a look at the moderate-risk strategies, okay?

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