

Adam Carroll

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SPEAKERS

Pat Bolland, Adam Carroll

Pat Bolland 00:00

Adam, a real pleasure to meet you,

Adam Carroll 00:02

Pat, it's wonderful to meet you. Thanks for having me on your show.

Pat Bolland 00:05

Okay, let's start right from the get go, what is a transformational trainer?

Adam Carroll 00:09

Well, candidly, I didn't even know what a transformational trainer was until I went through a program and they said, boom, you are now transformational trainers. But but essentially what it is, Pat is, we help people really create transformation in their lives. And transformation happens when you realize the way you're working at something, it could be your business, your life, your marriage, your relationship with your kids, when that isn't working for you, you have to go into some profound change in order to create the world that you actually want. And I have a favorite quote, that is our lives are perfectly engineered for the results that we're currently getting. And so when I first start working with folks, I'll ask them, what areas of your life are you not satisfied with? And how can we reengineer part of your life to transform the results that you're currently getting in that area.

Pat Bolland 01:03

So don't just do finances, you do lifestyle,

Adam Carroll 01:07

I, you know, the way I describe myself to other folks, whether I'm on stage or I'm coaching, is I'm a bit of a behavior list. And so I like to understand human behavior, why are people doing what they're doing. And it obviously crosses over the boundary from leadership to personal development to personal finance. And I just so I happen to really love personal finance, and I've been a student of it for 20 years.

So it's a natural part of my business and something I've been speaking on, for, again, two decades at this point,

Pat Bolland 01:41

I'm going to come back to that, because I want to know what the building blocks are for personal finance. But you also have a TED talk, and you talk about playing Monopoly with your children and how that informed you about finances. Walk us through that.

Adam Carroll 01:56

Well, so and I appreciate you bringing it up, Pat, it's one of my kind of crowning achievements, thus far in my life. And I would rank it, you know, somewhere in the top five, my kids and my marriage are definitely in there as well. But the TED Talk itself came about because I had been speaking on college campuses for about 15 years. And I was realizing that the majority of students that I spoke to, had been making very, very few financial decisions on their own. Their parents were still making them at 18 to 25, in some cases, That the parents are paying for too I'll point out ... But the parents are paying for it. Absolutely. Absolutely. And it made me wonder why. Maybe not wonder But but begin to connect the dots as to why the number of people that are struggling in their 20s and 30s financially, and how many of them actually had good financial role models or had financial decisions that they made early on and mistakes they made. And I started, my kids were of an age where they were asking for things and they were wanting to spend money that they didn't have. And it occurred to me one day playing monopoly that the money wasn't real. It wasn't real on the board. And it wasn't real to the college students that I was speaking to. And so it occurred to me that in playing the game of Monopoly with my kids, I wondered if I played the game with real cash currency on the table would they play the game differently? And in fact, they did. And so we started an allowance program and putting money in our kids is hands that they normally would have gotten anyway Pat, to be very candid. I mean, they were gonna buy some of these things that they were asking for, but we wanted them to make the transaction we wanted them to handle the money and make decisions around money so that they can learn from a very early age and candidly it's it has changed the way my kids function and make decisions and handle their finances. And I can say now you know, eight nine years removed they're incredibly money savvy, they make great decisions they no longer receive allowances from us. So I think all in all my little experiment worked

Pat Bolland 04:08

You characterize your children as, and these are the descriptions you used ... a dog and I think it was a wheelbarrow was the other one

Adam Carroll 04:17

Yeah.

Pat Bolland 04:17

What are you referencing there?

Adam Carroll 04:19

They so the pieces on the Monopoly board so when I say my daughter is always the dog she's always the little dog character in the in the game my son was always the car my youngest son was always the wheelbarrow. So yeah, there I was referring to the the game pieces in Monopoly,

Pat Bolland 04:35

not the style of play.

Adam Carroll 04:37

No, no, no, no.

Pat Bolland 04:39

Okay, now, you've written a book, more recently called 'the Shred Method, how to blast away debt in record time'. I assume that is built on the same principles as what you discovered in Monopoly.

Adam Carroll 04:51

It is somewhat although I will say that the difference there is that the Shred Method really takes advantage of the fact that we live Live in a bankers business model. And I think most people don't really understand that we do. But we know that the way the system is set up, if we want to buy something large a vehicle or a home, we go to the our bank or lender, we ask them for an amount of money, they tell us what the interest rate will be and how much we're set to pay on a monthly basis. And we dutifully do that month in month out without ever really questioning is this the most effective use of our money. It's just what works. And it's what has worked for for years and years, decades over time. But the challenge today is that it works really well for the banker, but it doesn't work really well for the consumer to build wealth and grow their net worth over time. And so through the shred method, we teach people how to leverage a really simple financial tool that nearly everyone should have access to, which is a line of credit could be a HELOC, a home equity line of credit, a HELOC a personal line of credit or a HELOC, a business line of credit. And we teach people how to make one seemingly insignificant shift to how their cash flow flows through their household. But when they make this one seemingly insignificant shift, they can save 10s if not hundreds of 1000s of dollars on their amortized debt like their home, a business loan, a commercial loan or vehicles.

Pat Bolland 06:25

Okay, but if you're buying a home, and nowadays with the way real estate prices have gone, you're spending a big chunk of money, you know, sometimes up to a million dollars, can't get a million dollars in the line of credit, can you?

Adam Carroll 06:37

No, no. And in fact, we don't want a million dollar line of credit. Our goal when we started working with folks through the shred method is to say to them, Listen, how much equity do you have in your home. And if you've got 10, or 15, or \$20,000, go get a line of credit for that amount, and begin using that as your checking account. So your money is going to cycle through that line of credit. Every time you get paid, it just gets deposited into the line, you pay all your expenses out of the line. So you would pay your mortgage payment, your car payment, your credit cards or student loan payments, your household expenses. And then the system that the shred method is built on is a piece of software that does the

calculation for you about how much from that line of credit. In addition, you're going to send to your mortgage on a monthly or in some cases, bi weekly or weekly basis. And so what happens, Pat is we begin shredding, hence the name, we shred our mortgage really, really quickly. And really quickly for most people is somewhere between three and seven years, the majority of folks in our system will, they'll shred between three and five, depending on their income and their discretionary income. But they they again, they will save hundreds of 1000s of dollars over the lifetime of their mortgage in the interest that is saved.

Pat Bolland 07:54

Okay, but okay, let's talk about that million dollar example. And let's say for argument's sake, you got a \$50,000 line of credit, but

Adam Caroll 08:01

perfect,

Pat Bolland 08:02

well, effectively, you're borrowing more, and you're borrowing the extra money that you've borrowed from someplace, presumably a bank to pay the mortgage payments, why not just pay the mortgage payments directly and forget about the extra 50 grand?

Adam Caroll 08:16

Well, because what we're doing is we're creating a little bit of interest rate arbitrage. So the thing that most people don't realize when we look at debt, and some folks will say, well, interest is interest and you're paying interest on whatever you're borrowing, right. However, a million dollar mortgage that's amortized over 30 years, has a really, really significant upfront interest charge in the first three to seven years, right. That's how amortize mortgages work as we pay the majority of our interest upfront. But when we're leveraging a home equity line of credit, we're actually only paying interest on the average daily balance so that the line will go up and it'll go down throughout the month. But we're paying interest on the average of that amount. And because it's so so much smaller than what the mortgage is, you know, if we borrowed, let's say, an average of \$20,000, even at a 5% rate, right? We're only paying that amount of interest for one month. But if we've deployed 20 grand against a million dollar mortgage, we may have shaved anywhere from eight to 15 months off of our mortgage and save that much in interest over that amount of time.

Pat Bolland 09:26

Wow, that's staggering. Okay. Is there an investment ... I get the pay down the debt faster? But should you also invest for your future to create your wealth?

Adam Caroll 09:36

Yeah, it's a great question. When we start working with folks at shred, one of the questions we have is, is how close are you to retirement? And through that question, we want to know how much have you put away and how much or how much are you putting away on a monthly basis? The shred method really is designed for a couple of reasons. Number one, our goal is to create freedom for people So whether that's freedom from the debt or freedom through passive income plays that you might use

some of the equity in your home to create. So if you're looking at investing in a business or investing in a syndication or buying rental real estate, most folks begin a savings account, they start squirreling away money trying to save up that down payment. But it's actually far faster, to blast away your mortgage and create equity in the property you own. And then turn around and begin to leverage that strategically. And obviously, it makes it has to make sense for the user for the consumer. But we do have an investment component, whether that's through equities or investing in real estate, we've got probably, I don't know, 60% of our shred users that are investors in real estate of some kind, be it syndications or multifamily or short term rentals.

Pat Bolland 10:52

Wow, fascinating. Okay, let's get back to your transformational training.

Adam Carroll 10:56

Yeah.

Pat Bolland 10:57

And the whole concept of building a better, bigger life and not a bigger lifestyle. How does that tread method or any of your approach fit into building a bigger life?

Adam Carroll 11:10

Yeah. And again, I appreciate this question immensely. I was in a program years ago, and I got a question from an audience member who said, you know, I'm new in my job, I'm a recent graduate and doing this job, I'm not living the life I want. And I said, Well, what is it you want? And she said, I just want to travel? And I said, Oh, well, I can relate to that. I love traveling. And I said, what's keeping you from travel? And she said, you know, besides the job, I just bought a bunch of furniture for my new house. So I have payments on that. I have a new car. So I have payments on my car, I have a couple of gym memberships that are pretty expensive. So everything that she was saying. I said, Well, all of these sound like lifestyle choices. But what you want is a bigger life. And you're sacrificing your bigger life for a bigger lifestyle. Maybe you've gotten backwards. And I think in general, we as humans. Again, we've sort of been programmed that more stuff is what we want stuff it is consumerism, that it impacts all of us. And the whole idea of building a bigger life, not a bigger lifestyle resides in how do we begin tamping down the consumerism that most people are somewhat afflicted by, and blasting away our debt through something like the shred method. So that travel becomes very easy, you've got plenty of discretionary income, you've got opportunities to create passive income, which allow you to not work if you don't want to. And as people look towards retirement, and I know you have a lot of personal finance folks listening to the show, yeah, as they go towards retirement, generally speaking, our expenses don't really get gets smaller and smaller over time, typically, people they're going to buy a bigger home, they're going to get another car, they're going to have expenses may take more expensive trips. And our goal is really to show people how you can do that. But it's really about building a bigger life for yourself throughout the next three or four decades, as opposed to the lifestyle choices that will keep you from the life that you truly want in retirement.

Pat Bolland 13:16

Yeah, except that we're all conditioned, it's all keeping up with the Joneses. It is consumers and that's the backbone of the economy.

Adam Carroll 13:24

100% 100%. And to that point, there was a statistic shared not too long ago with me that if you stripped away all of the debt that is taken out in particularly in the US, if you stripped away all of that debt, gross domestic product would actually be negative. So that we are entirely dependent on debt to fuel growth in this country. So growth, by the way of debt becomes normal and natural and good. But as consumers, we have to be in to challenge that a little bit. And say, okay, growth is what we want, but do we have to take on the levels of debt that we are in order to pursue that growth? If a bigger life is truly what we want?

Pat Bolland 14:08

Yeah, live simply live happily ... one of your other tenants, is that make a difference in other people's lives? Do you build charity into your model?

Adam Carroll 14:20

We do. I you know, for me, in particular, what I found through the Shred Method is there is this number, that is the interest income number. And I would call it an interest income ratio. And if you took someone making \$100,000 a year, that really wants to donate 10% of their earnings. Well, that would be \$10,000 on that \$100,000. But in many cases, what we find is that same person that's making \$100,000 a year might be paying \$30,000 a year in interest, and they're paying interest on their home, their cars, their credit cards, student loans. etc. And what they really want to do is they want to be generous, they want to give, they want to have that, that component to that to their life. But it's almost as if the interest that they're paying out is making it really prohibitive to donate at the level they want to donate. And within a year or two of using shred, we can help people reduce their interest income ratio, down to somewhere to 15 to 20%, from 30%. And in some cases, even lower, we have shredders that might pay three to 5% of their annual income in interest. And what it does is it frees up a significant chunk to give away in charity to charitable causes at the end of the year, or anytime throughout the year for that matter. Because once we teach people the model and the methodology of cash flow through shred, it's nothing for someone to write a five or a 10, or in some cases, a 50 or \$100,000 check to a charity, because they know that the shred system is going to absorb that in short order. And they've really built it into their system. So it's a huge component, something we talk about to a number of our users.

Pat Bolland 16:10

Adam, we started by discussing how this is all related to banking, and the banking system in North America. Certainly, are you anti bank?

Adam Carroll 16:20

I'm not I'm not, you know, I, I actually have a lot of bank and credit union clients. I love them. They're amazing people. And I would say that I don't mean to vilify what they do, because it's a great profit model. I mean, clearly, banks have been making money for years and years and years, you can drive within a mile radius of my home. And there's 25 banking institutions that have built business built banks, you know, so I don't, I am not anti bank. I don't vilify them. But I also think that if we don't challenge the

notion of how they make money, and the fact that we are their compound interest vehicle, then someone could spend a vast majority of their life funneling money into a bank where they could have funneled that into their own retirement accounts.

Pat Bolland 17:09

Maybe we should leave it there, Adam. But before we do, how do people find out about the Shred Method? What do ... they can get the book, obviously, but is there an online component?

Adam Carroll 17:18

There is the shredmethod.com is our website and there's an evergreen webinar that will walk you through the entire process. We have lots and lots of articles in downloadable documents about you know what kind of HELOC you should get the questions you should ask those kinds of things. So the shred method.com is the best place to go for that. And if you're interested in finding out you know more about me and the TED talk or the documentary I did on student loan debt, you can go to Adam Carroll dot info and find out more there.

Pat Bolland 17:49

Adam, I really enjoyed this. Thank you.

Adam Carroll 17:51

I did too Pat. Thank you. Thanks for the time.

Pat Bolland 17:54

Adam Carroll.