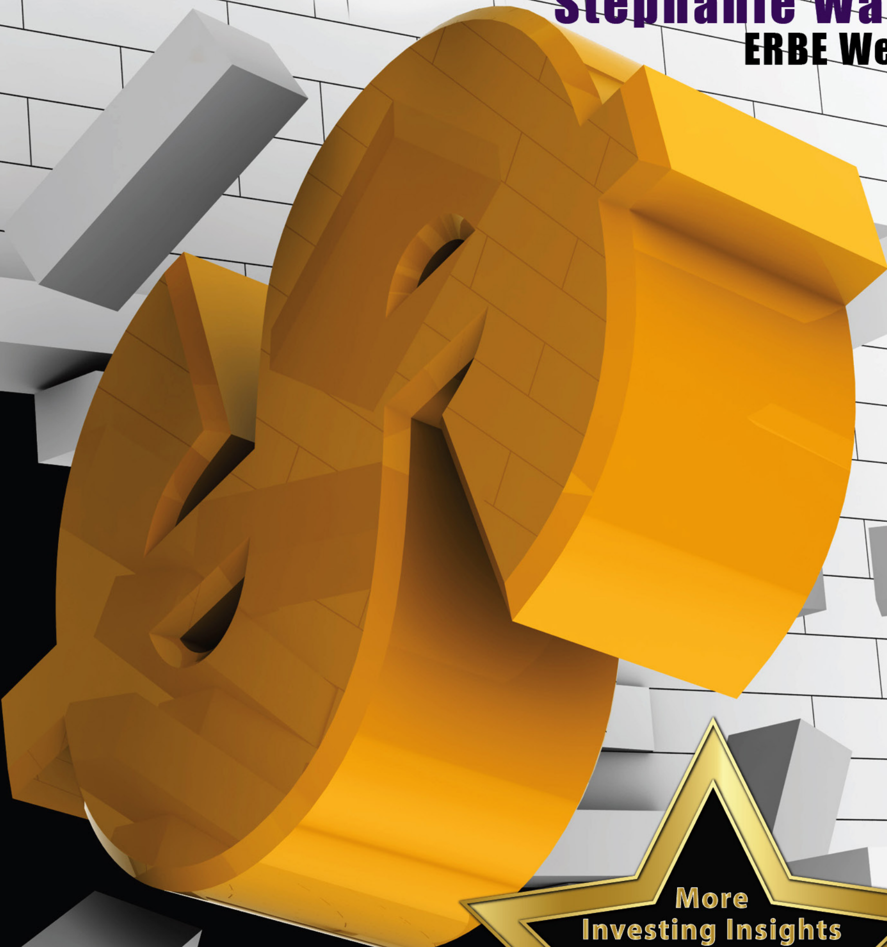
SHATTERING MONEY MYTHS

How The Wealthy Invest

Stephanie Walter
ERBE Wealth



More Investing Insights To Personal Wealth

2nd Edition

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ACKNOWLEDGEMENTS

To my most laudable mentor – my dad!
Unfortunately,
someone who never lived to see my success,
Robert Walter

Dad showed me what an entrepreneur looks like,
the importance of investing in real estate,
how to follow my dreams and passion,
and to live life looking at a glass half full of possibilities.

Stephanie

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Forward

American's have invested trillions of dollars in retirement plans, and these plans are usually their most valuable assets, often exceeding their home value.

The country is exiting from a very troubled time caused by COVID. In order to "save the economy," certain fiscal and monetary policies were implemented, flooding the economy with liquidity-cash. What is the logical result of expansionary monetary policies-inflation?
The country is experiencing inflation at levels not seen for decades!

How will the government fund these expenditures? Higher taxes are a certainty. Since 1986, taxes have been at historically low levels. Investors who followed the rules, worked hard, saved, sacrificed, and accumulated assets in retirement accounts will be the target for a revenue hungry Uncle Sam! These tax- qualified retirement accounts are easy targets for increased taxes.

An example of Congress's tactics to tax-qualified retirement plans is contained in the SECURE (Setting Every Community Up for Retirement Enhancement) tax act. Under "old" law, a 35-year-old who inherited an IRA was required to take distributions based on their life expectancy, or 50.5 years. The new tax law reduced the distribution period to 10 years. In this example, by age 45 the taxpayer would have had to distribute all the IRA funds and pay taxes on the distributions. The entire IRA balance is distributed during the taxpayer's highest earning years compounding their tax liabilities, and nothing is left for retirement.

Shattering Money Myths provides insights into strategies and opportunities to diversify your retirement assets and hopefully maximize your cash flow in your golden years - retirement. No one strategy or technique is a "silver bullet." Implementing a variety of these techniques in a disciplined fashion should help you thrive in retirement.

Matthew E. Dumford,

CPA, PFS, MT, MBA

Preface

> "Risk comes from not knowing what you are doing."
> — Warren Buffett

> "To have unconventional success, you can't be guided by conventional wisdom."
> — David Swensen

The purpose of this book is to help you identify the destructive financial myths that negatively influence our financial decisions on a daily basis.

Myths

What Are Myths?

Definition

A widespread belief or story that has become associated with a person, institution, or occurrence without an author that is passed along and usually intended to illustrate a cultural ideal.

Myths occur in almost every facet of our lives but for the purposes of this book we are going to focus on money myths. Myths that have been passed down for only a few years or for many generations, and we simply believe them without questioning the statements. There are so many to consider that it was difficult to narrow my list to only 10.

Myths about money have changed over time. Not too long ago, people believed that if they worked for a company for 30 years, they would have a fully funded pension that would allow them to retire. I know that was true for my parents' generation but is largely not true for mine. So, our beliefs about money do change and have changed over time, yet many people hold on to the myths of their time so strongly that they will not look at any alternatives for them. And that is why I authored this book - to offer some alternative ways of looking at money, investments, and the well-established institutions that service our financial needs.

Okay, I get that some of what I believe might not be 100% correct, but if much of what we are taught is wrong, then why do these myths perpetuate?

Most of the myths we are taught about money originated in tough times like the Great Depression. These myths continue to be perpetuated by financial institutions that have a vested interest in whether the myth continues. Then the myth takes hold and spreads by well-meaning friends and family. Most of these people have good intentions, but their advice relies on these deeply entrenched myths that they were taught.

Why do we rarely think to question the financial myths that we believe? Because most of us think that the financial planners and financial advisors know better than us, so we abdicate our ownership and decision making of our personal finances to this group of advisors who, as we will see in Chapter 3, don't know any more about this than we do.

INTRODUCTION

You need to start thinking about whose best interest our financial institutions are looking out for and start to question if their own interests serve or align with ours.

Remember, the financial institutions are in business to increase their profits. That does not mean they are evil, but we, as consumers, need to be aware of their agenda. The better we understand their agenda the more knowledgeable we can be when investing. And, with that knowledge, be able to use the systems to our advantage.

Well, how do we get educated?

Educational institutions are not effective at dispelling financial myths. By and large, American schools fail to educate our children on correct principles of personal finance, if taught at all. And if you go to college majoring in business or finance, it is interesting that a quite different approach to money management is taught to students in personal finance courses as opposed to those in corporate finance courses.

Personal finance courses direct students to accumulate net worth, pay off debt, invest for long term, and protect possessions with term life insurance.

Corporate finance courses teach velocity of money, cash flow, risk management, and permanent insurance strategies.

Corporate strategies are far superior to and, more importantly, less risky than personal finance techniques.

It is a fact that corporate finance strategies are intended to take advantage of the investment dollars tucked away by people using personal finance methods. What is not taught to the average American is that corporate finance strategies can and should be used on a personal level and used to achieve far greater wealth with equal or better security.

Just because ideas are popular and believed by the majority does not mean that the ideas are true. If only a minority of people are wealthy, then why do we follow what the majority of people do?

Why are financial myths so destructive?
Buying into these myths destroys our prosperity. You need to understand that money myths exist and then shift your mindset from being a consumer to becoming an owner, and you can do that only by becoming an educated investor. To achieve financial success, it is essential that you take ownership of your finances.

You can't succeed at anything unless you know the rules.
That is another reason I chose to write this book. In the case of your finances, ignorance is not bliss. Our current money myths keep us from learning the truth of wealth creation. One of the best ways to develop the ability to see through myths, recognize them for what they are, challenge and break through them

is to constantly increase your knowledge. The more complete your knowledge the better your decisions will be.

Purpose Of This Book

One of the most critical steps you can take towards financial freedom is to accept that it's possible that what you have thought about money and finances is false. There is a whole new world of truths that you have yet to learn.

Modern life is complicated and many of us depend on specialists and experts in a field rather than learning it ourselves. You think that you are too busy to learn about your finances, so you choose not to take the time and effort to question them.

If you know much about me, then you will remember that I had the benefit of learning from my dad to question certain truths about money. That got me to a certain level of success. But the more I learned about business and investing the more aware I became of how little I really knew. And because I never stopped reading books and being open to innovative ideas, I accepted the invitation to the "boot camp" apartment-building-purchasing class that first introduced me to the real-estate-syndication concept. And that changed my life and finances completely. Keep in mind, I was in my mid to late 40s when I took that class, so it is never too late to overcome your beliefs about money, adopt new ones, and implement the secrets I learned from wealthy investors.

Let me tell you what moved me to create this book. If you are at all familiar with my work over the years or have participated in an investment with me, then you know my history of success in real- estate syndications, being a business owner, and helping people create wealth through lots of different strategies.

My passion is helping people achieve real breakthroughs and create true wealth. As many of you may already know, my father was my greatest inspiration in business and in life. He was a second-generation German immigrant and a second-generation entrepreneur. Unfortunately, he passed away in 2005 very unexpectedly, and I named my company ERBE Wealth in honor of him. ERBE (pronounced air-bay) is the German word for "legacy." So, my business name means Legacy of Wealth and that it is my purpose – to help people create a legacy of wealth by challenging financial beliefs instilled in them and helping them to see that there is a better way of investing and managing their finances than what they were taught.

For years, I've had the privilege of helping people from all walks of life to learn strategies for taking charge of their finances and taking part in investment opportunities that changed their lives for the better. I am asked time and time again in interviews, podcasts, and when I am speaking on stage to recommend books that can help people who are just beginning their money journey, and although I read a lot of books, there hasn't been one that encompasses all of the principles that I believe everyone should know.

The financial crisis of 2008/2009, which pulverized so many people and left a nation of investors living in fear, also motivated me to create this learning tool.

Over my years of working with the wealthiest 1%, I noticed that they do things differently than the other 99% of us. It took me some time to realize exactly what they were doing differently, from their mindset to the vehicles in which they invest and how they invest. By learning from them, I changed my focus, and as a result, I was able to sell my business and "retire" in July of 2021.

This book is a summary of what I learned. But more importantly, I point out the myths and the downright lies that keep so many of us imprisoned in a financial system that gives us little freedom or peace of mind.

I will show you a way to not put all of your eggs in one basket. You need to protect yourself from all downsides, because the best investors know that they're going to be wrong, no matter how smart they are, so we must have a system that protects us from that. I want to use this book as a vehicle to help you develop enough wealth so that you can be a force for good in this world instead of being held captive in a job that gives you no joy nor purpose. **The Four Focuses of this book that will achieve its purpose:**

Dispel 10 of the many financial myths that misguide the majority of people, and I will reveal the secret rules of money. Many more myths exist than I'll cover here, and this book isn't meant to be a deep all- inclusive dive on each one of them. It's meant to be the wake-up call to set you on your own path to true financial freedom.

To help you see through the myths that limit wealth creation.

To help you take back the responsibility of your own money and get you on the path to financial freedom.

My hopes are that, after reading this book, you won't blindly accept financial falsehoods, that you will be better prepared to think as a wise investor instead of a confused consumer, and – my greatest hope – that instead of questioning whether you will have enough money to retire or not, you will question the concept of retirement itself.

So, let's start this journey!

Chapter One

Myth #1

Abundance Versus Scarcity.
"True abundance isn't based on our net worth;
it's based on our self-worth."
— Gabrielle Bernsein

"Abundance comes from within. It comes from thought, intention, attention, and expectation."
— Deepak Chopra

It All Starts With Mindset.

Oh boy, Steph, here we go into the world of new-age craziness. Perhaps. but I have lived a pretty long time – I turned 50 last year – and I can attest to the fact that having the right mindset about anything is essential to being successful. I believe that to be truly successful and live life to the fullest, it must, first and foremost, start with mindset. Since this book is about money, we are focusing on money mindsets.

There are two mindsets when it comes to money:
1. Scarcity
2. Abundance

The first step is figuring out which one you have.

Chapter 1

What is a Scarcity Mindset, and how do I know if I am living in it?

Scarcity in its simplest sense means that you do not have enough. Regarding your finances, it means that you view money as scarce, and that there is not enough of it to go around.

Stephen Covey, author of The 7 Habits of Highly Effective People, coined the term "scarcity mentality." He said that people with scarcity mentality view the world as a finite pie. If someone takes from that pie, then there is less for everyone else. Someone wins and someone loses. If you want something, then you will have to take it from someone else.

Similarly, with building wealth, most people think of money as a rare commodity that's hard to get. It is a scarce resource in their minds; therefore, all thoughts of getting money tend to be difficult ones.

When our actions are based on a scarcity mindset we are acting from fear - fear that we won't get our fair share, fear that we will have to fight others to get our fair share, or fear that someone else will do better than us. This fear causes us to make irrational financial decisions.

ABUNDANCE VERSUS SCARCITY

You know that you are in scarcity mentality when:

- You are jealous when a friend from work gets a promotion.
- You see someone buying a nice home or car and feel resentful of them.
- You feel that there is never enough money to go around.
- You hoard money or feel reluctant to contribute information because, by giving, you may lose money or an opportunity.
- You compare your success to others' and find yourself lacking.

What is an Abundance Mindset and how do I know if I am living in it?

Stephen Covey also coined the term "Abundance Mentality." A person with an Abundance Mentality believes that there is plenty for everybody. In order to live a prosperous and fulfilling life, it is essential that you reach a balance between contentment for what you have and a desire to create more. Balance is the way of the Universe and that's what Financial Abundance is all about. Contradictory as it sounds, there are stinking-rich millionaires who are in a financial mess and who live in a state of lack. They are not financially abundant.

Then there are those who may not make a ton of money but are extremely grateful for what they have. They rejoice in what they have, and they know what they want. These people are truly financially abundant.

True Financial Abundance is a state of mind that radiates contentment, gratitude, and balance. Financial Abundance is not about having more wealth. Financial Abundance is a feeling of gratitude for what you have. Gratitude is the cure for any financial stress that you may experience.

Take, for example, people who have lost money through investments. With a scarcity mindset, they believe that the lesson to be learned is that investing is risky, profits are scarce, and only a select few get them. But the true lesson is that this person made financial choices that limited the outcome of the investment. Investors could learn from the experience and gain ways to select better financial opportunities in the future.

You know that you are in abundance mentality when:

- You feel happy when others succeed.

- You are able to work with others to achieve things that you couldn’t do alone. (See Chapter 7 on Syndications.)

- You want to help

.

- Your investments are wise. You are neither naïve nor overskeptical. You perform through due diligence and make an educated decision.

- You consistently overcome fear.

I hope that you now understand which mindset you come from and can start to work to change it. Keep in mind that the majority of ABUNDANCE VERSUS SCARCITY people do start in scarcity mindset. I, too, was there until very recently. We are all aware that there is an emotional charge to the topic of money. Your relationship with money can vary, but it often carries with it strong emotions. If you can understand your mindset and where it comes from, then you can improve your relationship with money, make better choices, and look toward a healthier financial future.

Steps to change my mindset:

1) Keep in mind that beliefs are just thoughts that you think over and over.

So, training yourself to think different thoughts can change your life. You do need to believe what you are training yourself to think. Saying over and over again, "I will achieve financial freedom," is going to seem awkward at first, and you may not believe it at the start, but the more you say it and the more you hear it the sooner you will start to believe it.

2) Before you can change anything in your life, including your finances, you must take a moment to reflect on the past so that you can see how it has influenced your present. Think about your experience with money at this point.

- How were you raised?
- What did the adults in your life teach you about money?
- What messages about money were instilled in you at an early age?
- Were your parents' spenders or savers?
- Did your parents struggle with money, or did it come easily to them?
- How was their parents' relationship with money?
- How did you approach your own money as you entered adulthood?

Think about everything that has played a part in the way you view money today. But remember, this isn't the part where you blame your parents for your negative money mindset. Yes, the adults in your life played a part in how you view money today, but just one part. Shift your perspective on finances and adopt a positive money mindset through financial affirmations. The way you talk to yourself plays a crucial role in how you address your finances.

Examples:

Instead of
"I'm a failure with money"
Say, "Everyone makes mistakes, and I'll use this as a learning opportunity for the next investment."

Instead
"I'll never have as much money as so-and-so"
Say, "We are all at different stages in life, and there is no right or wrong place ot be. It's all relative. I'm where I'm meant otbe right now."

Challenging Your MIndset Is What This Book Is Meant To Do.

Address your pushback to change, or your fear of change, and deal with it. Examine your belief systems and assess whether you are looking at things from a place of fear or a place of gratitude. It's important to identify that. Then see how your perception changes.

Many people let their finances stay as they are and give up control to "Financial Planners" because they are afraid of failure. If you can be aware and confront these limiting beliefs, then your entire life will change. Once you are able to learn how to leave the place of fear, as well as learn a whole new way to use money, you will be amazed to discover the opportunities that are all around you every day.

Fear is a destructive emotion,
but you do not have to accept it.

Overcoming your fears is a major step toward how to change your financial mindset for success. Act as if you believe this way already, and the mindset will come.

Everyone has a comfort zone. Like a turtle, we feel cozy and safe inside our shell, but to change one's thinking, one must be willing to step out of that shell no matter how much that shell feels like home.

Our mindset will only begin to change if we allow ourselves to be exposed to the possibilities of change. Stepping out of your comfort zone can be one of the most difficult things you do but doing so will build the confidence that you need to make every other necessary change. Some of the most significant things that have happened to me to date are thanks to the five seconds when I made a conscious decision to step out of my comfort zone – even though it was incredibly scary.

Strive to learn something new every day – even if it makes you feel a bit uncomfortable at first. Look at things from a different view. Changing your thinking about money also means being open to innovative ideas and perspectives, especially if it challenges your current view. You will begin to realize that the more mindset work you dive into, the more you will be approaching new opinions and ideas from a grounding and calming place. Things that used to raise your defenses will slowly turn into a question of curiosity instead.

Surround yourself with support for this mindset, i.e., books, mentors, and Mastermind groups. Your feelings about money directly affect your financial reality. While your parents and other outside influences may have ingrained self-defeating money beliefs into your head, the good news is that your thoughts around money can change.

The key is to constantly feed your mind with new and positive content that will teach you how to think of money in a whole new way.

Chapter Two

Myth # 2
Accumulation Versus Utilization.

> "It's not how much you make, but how much money you keep, but how hard it works for you, and how many generations you keep it for."
> — Robert T. Kiyosaki
>
> **"Don't work for money, let the money work for you."**
> **Robert Kiyosake**

In 2018, I started raising money for real-estate syndications. Most of our offerings are structured as a 506(c), which means that investors must be accredited to take part. An accredited investor means that the individual has an income of at least $200,000 OR a net worth of at least $1 million, not including a personal residence.

Many of the investors who I deal with are close to the million-dollar-net-worth minimum, but a good portion of my investors have a net worth of $10 million and above. I started to notice when dealing with the very wealthy investors that they looked at their money differently than I did.

I looked at my money much like most people in society - that my wealth was determined by what I had accumulated. For me, that was rental properties. My plan was to pay off my single-family rentals over 30 years and then live off of the rental income. There was little thought about the cash flow that these rentals should be generating in the meantime. My focus was on the future appreciation and not on the cash flow in the here and now.

And I was right in line with what our society as a whole is told - that the road to wealth is to save and accumulate money with the goal of waiting 30 to 40 years and then live off of the interest of our savings and investments or, in my case, rental income. We are taught to budget to max out our 401(k)s, or, in my case, buy and hold rental real estate while never touching our principal.

We are told to put off our wants and desires for a later time, suggesting that we scrimp and save to reach our far-off goal of a good retirement. Our investment statements give us a feeling of safety and security even though our money is just sitting there doing NOTHING for us.

This method of handling money is called the Accumulation Theory. Now, once you start to examine this more closely, you'll see that the Accumulation Theory is problematic.

So, we are supposed to accumulate as much money as we can in our 401(k) for years, never being able to access it. We agonize over that date when we can finally start using it with the hope that it will last until we die.

You should recognize which mindset this reflects after reading the prior chapter. “Hello, Scarcity Mentality!” Have you ever seen people who are in retirement, living in this scarcity and fear mentality, never knowing if they will outlive their money, living on a fixed budget in these all-important later years

I saw this a lot when I was an insurance agent. Clients who did everything right and yet were living on social security and their IRA under constant stress as the costs of gas, groceries, and living expenses continued to climb. They were left feeling very underwhelmed and disappointed in the retirement life that they had hoped to have as opposed to what they were experiencing.

So, this question came up for me: When you look at your 401(k), IRA, and/or investment balance, what good is money if you can’t use it?

Once I started interacting with the wealthy investor, I realized that their money was being put to use, i.e., to generate cash flow, to manufacture products through a business, etc. Utilizing money, putting it to work to provide services to ourselves and others, was diametrically opposed to the Accumulation Theory of putting it in a so-called safe investment. This was the missing piece I was looking for.

Utilization is taking back control. Utilization means that we stop waiting for financial freedom to come to us and, instead, become proactive in creating it ourselves.

Now, these ideas of mine did not form overnight. Initially, I couldn't put my finger on what the wealthy were doing differently than the rest of us. But after looking at hundreds of personal financial statements, I realized that the wealthy had their investments structured differently than everyone else, me included.

Once I began to see this in action, I really started to question the accumulation-of-money idea that we are told is the way financial savings and retirement are done, and I saw the drawbacks of the Accumulation Theory.

The most glaring problem of accumulation – the act of locking away our assets for fear of losing them – keeps us from doing what is really in our best interests, which is taking control of our own investments. It also keeps us handcuffed to the financial institutions that hold and profit from our money.

When you really think about it, the theory of accumulation is dominant in the financial and retirement planning industries and is based on the premise that your wealth can be measured by how large your investment statement is. While accumulating assets can be beneficial and can grow our wealth, it will do so only if we utilize the assets in the most efficient and productive ways. That is NOT what most financial institutions and retirement planners teach us to do.

Does the financial industry have an agenda for your money? If so, what is it?

Yes, of course they do! I'm not here to demonize this industry, but you must be aware that these institutions are businesses that need to make a profit and that's what motivates them. That in and of itself is not bad, BUT it is our money that they are using, so you need to be aware of their motivation by better understanding the system and the "rules of the game." You can make better choices about your money. First, you need to be aware that everywhere you turn, almost every solution offered has the financial institution's best interest at heart, not yours. If you fail to acknowledge the simple fact that the financial institutions have designed things to mostly benefit themselves, then you may find yourself never living the life that you had envisioned. The game of finance is just that – a game – and successful players take the time to understand the rules and make the rules work to their benefit.

The Four Rules of Financial Institutions

- They want your money.
- They want your money systemically.
- They want to hold onto your money for a long time.
- When the time comes, they want to give back as little of your money as possible.

Again, my goal is not to turn the financial institutions into the enemy. The financial industry adheres to a certain set of rules – rules that you need to understand and be aware of – otherwise, they can limit your financial success. We can't change their agenda or their rules, but we can define a way to work within them to OUR benefit.

Does this make financial institutions unethical? No. The point isn't to criticize them but to reiterate that their operations are based on their own interests, which are different from ours.

The most interesting question for me is what do the financial institutions do once they have our money? We know that we are told to invest regularly, never touch what we have put into our account until we retire, to expect single, maybe low double-digit, rates of return, and if we want higher returns, we will be putting our principle at risk.

They convince us that we are lucky to get 10% returns and that it is safer to put money in CD's, savings, and money market accounts earning, at best, three to four percent per year. Banks make money by using our money. For every $1 that they take in, they loan out $10 and charge much higher interest rates than what they pay us on each $1 that we deposit.

Banks operate under the opposite rules to what most individuals do, and they rely on that strategy to stay profitable. So, while the average individual is accumulating and hoarding money, banks are utilizing in productive and profitable ways the money that we give them. Banks keep their money liquid and in motion while the average individual thinks it is okay to lock their money up for 30 years or more.

Is it becoming clearer to you now?

As long as we buy into the Accumulation Theory, the financial institutions have our money, they have it on a regular, systematic basis, they keep it for as long as possible, and they give back as little as possible. In short, our money is used to build profits for financial institutions rather than for ourselves.

The accumulation mindset distracts from any effort to produce and create value. It replaces the critical value of individual responsibility with misguided faith in financial institutions, corporations, or the government.

The majority hands over their money and hopes that things will turn out well. They neglect the discipline of stewardship which means taking personal responsibility for the care and maintenance of all of our resources, including our money.

Perhaps the greater tragedy is that, sadly, most people have no idea how much taxes will be taken out of their hard-earned money once they retire.

The Accumulation Theory requires the abdication of responsibility. It requires that people stop thinking and allow external circumstances to control their success or failure. Most people who have a 401(k) have no idea what their money is doing, no idea of the returns they are getting, no idea how to reduce their risks, and no idea of the fees they are being charged. (Read more about that in Chapter 4 - Myth #4, Management Fees are Worth Every Penny).

So, how can we replace the Accumulation Theory with the Utilization Theory in our own lives?

I hope that you are starting to question the Accumulation Theory of money and realize that it needs to be replaced by the Utilization Theory. We need to take responsibility and use our assets now to create value for ourselves and others.

Notice that the Accumulation Theory of money leans toward the scarcity mindset – the constant fear of losing money. In contrast, the person who embraces the Utilization Theory of money leans toward the abundance mindset. The individual is constantly seeking ways to maximize their money's usefulness in the world right now.

There are more positive people who ask themselves questions such as,

"What can I do today, right now, to increase my productivity?"

"How can I be the most productive with my current resources?"

"How can I be a steward of my money rather than turning my money over to someone else to manage?"

Let me introduce five fundamental truths that I have learned from my wealthy investors at you, too, need to know.

#1 — The concept that I'm guessing most of you have never heard of that ties some of this togheter is:

"The Velocity of Money"

The velocity of money is how productive your money is or how much benefit is produced by a certain amount of investment. By a mathematic equation, it is simply output/input. For example, say you have a lump sum of cash earning 10% and you take the interest earned and invest in a real-estate syndication where you are earning monthly cash flow and 15%+ annualized return, as well as significant tax benefits. When you use the rental cash flow to make another investment, you are increasing the productivity of your money.

To put it simply, velocity is increased by keeping input at a minimum while increasing output. Put less time, risk, and money into something (input) to have it bring more productivity and value (output).

In personal finance, the velocity of money refers to using your funds to build wealth more quickly by getting your money to do more than one thing at a time. This is a well-kept secret of the financial industry and one that can transform your relationship with your personal finances.

The more exchanges made with the same dollars the more wealth is created.

The more simultaneous uses we find for each dollar the wealthier we become.

Let's compare the above scenario to what the average person does with their money. If you place your money in a mutual fund through your 401(k) for long-term growth, then every dollar that goes into the fund serves one purpose - to gain a return. In this case, the velocity of your money is ZERO.

You need to be aware of what kind of velocity your money currently has and start thinking of ways in which you can increase that velocity to build your wealth. I'm going to give you a hint:

You are in the right place because I designed this book to make you aware of these strategies that the wealthy use all of the time.

#2 – A concept that is essential for investors to grasp is where to focus your attention and energy.

My suggestion would be to focus on cash flow rath than on net worth

Another light-bulb moment for me was when I realized that I had been investing for my net worth with hardly a thought to my current cash flow. And when it comes to building wealth, cash flow, not net worth, is the single most important indicator of our financial health.

Healthy cash flows are created by building businesses or investing in tangible assets such as real estate, which produce a SUSTAINABLE income. This is measured on an income statement. Net worth is your assets minus your liabilities. This is recorded on a balance sheet. Net worth is a specific number at a specific time, and it is static.

Cash flow, on the other hand, is fluid. Instead of being measured at a specific point in time like wealth, cash flow is measured over a period of time. Without positive cash flow it is impossible to build wealth. Ultimately, cash flow is what allows you to live a life of freedom. Real estate is an excellent way to receive monthly cash flow with little to no headaches – IF you do it correctly. (See Chapter 7 on Real Estate.)

Wealthy investors use their net worth to buy cash-flowing investments. In my case, I built a portfolio of rental properties for my future retirement, but when I took a good look at how my rental properties were performing, I realized that they were cash flowing little each month, and I was sitting on fairly copious amounts of equity. The equity was sitting there making zero returns. I also realized that I was tired of being a landlord. I had been one since about 2006 and, overall, I had had particularly good tenants, but it was still work and a worry for me.

So, in 2017, I sold my first rental property. I put the proceeds toward a real-estate syndication that started paying 8% preferred interest almost immediately, and I received AMAZING tax benefits that offset my capital gains. This project ended up returning 40% annualized rates of return. Wow! I "rinsed and repeated" for the next four years, and by 2021 I had replaced my business income. I sold my business to become "retired." For me, "retired" means doing the things that give me great joy; specifically, helping people build their own legacies of wealth.

#3 — Invest in the people behind the products/projects. Wealthy investors invest in the teams behind the projects.

I started putting together syndications in 2016. Syndications (more on those later in this book) are a group of investors who purchase large commercial properties. Our professional team identifies the property, gets it under contract, secures funding, and performs due diligence. We have a business plan and an exit strategy for each property. When all of this is secure, we present the offering to our investors and, together, we acquire a large commercial property that is a business with cash flow, tax benefits, and significant appreciation. This type of investing has been around forever. Before the Jobs Act was passed in 2012, you had to be rich to invest in a real-estate syndication. Even if you were rich, you still had to be connected, have an inside track - know someone who invested in private real-estate deals and invited you in. Still to this day, the largest syndication investors and our competition are big banks, insurance companies, and large pension funds. But my point is that each of these projects is headed by a professional team with a proven history of experience, a solid business plan, and a rigid exit strategy. These are the types of opportunities in which the wealthy look to invest. Now, let's compare that to the average mutual-fund investor who has 100+ companies in any one mutual fund. Does the average investor know even one of those companies, the leadership team's experience or track record, the company's business plan, or the exit strategy? I've never met an investor who does.

Can you see how the control that comes with knowing these things about a professional real-estate team or a business owner would help to make for a better investment strategy?

#4 — Some investments are collateralized.

Another major difference that I have seen from the wealthy is that they are invested in tangible cash-flowing assets like real estate and businesses. Assets that can be secured and collateralized so if the cash flow stops the physical asset can be sold. This is diametrically opposed to most people who have the whole of their portfolio invested in unsecured and uncollateralized investments; such as mutual funds and qualified plans that can disappear with nothing left to show for it.

#5 — Mitigating risk to zero does not equal higher returns.

Wealthy investors are INCREDIBLY careful with their investments, which is a new concept for many, as we are told that if we want higher returns in our investment portfolio, then we must place ourselves in riskier assets. Nothing could be further from what wealthy and savvy investors actually do.

Now, I'm not saying to liquidate your current 401(k), but, as I will cover later in the chapter on asset allocation, now might be a good time to think about how "balanced" your portfolio really is.

Next up, we talk about the myth of the financial planner and that industry. Do they really know as much as you think they do? Can they beat the market?

Chapter Three

"The goal of teh nonprofessional hsould not be to pick winnters - neithr he nor his helpers can do htat - but should rather beto own a cross section of businesses that, in aggregate are bound to do well. A low-cost S&P index fund will acheive this goal."

— Warren Buffett

Myth # 3
Invest with more knowledgeable people to "Beat the Market"

Now that you are becoming committed to the idea of being an investor, many questions come to mind:

- Where do you put your money?
- Who can you trust?
- Who will protect you and get the best returns on your money?
- So where do most people put their money for the long haul? Usually in the stock market. But the moment that you open an IRA or participate in your 401(k) plan, there is a salesperson (financial planner), telling you to put your money in an actively managed mutual fund.

Chapter 3

Many people ask, "What is the difference between investing in mutual funds or the stock market?" Well, when you are investing in a stock you are buying shares in an individual company.

Mutual funds can contain hundreds or even thousands of companies per share. Funds from a group of investors are pooled and invested into different stocks, bonds, and/or short-term securities. Each mutual fund has a different investment objective, and the money manager who makes the investment decisions for you is responsible for the fund. We are told that the advantage to investing in mutual funds is portfolio protection through diversification. Instead of investing in just one company, industry, or investment vehicle, you are invested in many different holdings and, theoretically, that will lower your risk. And you are buying into the idea that this fund manager's stock- picking ability is better than your own.

This book is about uncovering the truths, and the truth is that 96% of actively managed mutual funds fail to beat the market over any sustained period of time!

Okay, what does "beat the market" actually mean? I am referring to a "stock index." An index is simply a group or list of stocks. The S&P 500 is an index. It is a list of the top companies in the United States, as selected by Standard & Poor's, such as, Google, Apple, Exxon, and Amazon. Each day, they measure how all 500 stocks performed as an aggregate, and when you hear if the market was up or down, it is a measure of how all of the top companies - stocks on the list - performed collectively.

So, what is the strategy?

Instead of buying all the stocks individually or trying to pick the next "sure thing" you can diversify and own a piece of all 500 top stocks simply by investing in a low-cost index fund that tracks or mimics the index. That's why you may hear people refer to "BEAT THE MARK ET" indexing as a "passive" strategy. Instead of hand selecting which stocks or bonds the fund will hold, the fund's manager buys all of the stocks or bonds in the index it tracks.

The point here is that by investing in the index, you don't have to pay a professional to try to choose which stocks in the index you own. It's done for you because Standard & Poor's has already selected the top 500.

Industry expert Robert Arnott, founder of Research Affiliates, spent two decades studying the top 200 actively managed mutual funds that had at least $100 million under management. The results are startling: "From 1984 to 1998 - a full 15 years - only eight of the 200 fund managers beat the S&P 500. For my mathematicians out there, that is less than four percent odds that you, or more importantly, your very-well-trained and very-well-compensated financial professional, will pick a winner. Obviously, not good odds at all.

So many investors like to "chase performance" which is when an investor makes investment decisions favoring a fund (or stock or anything else) because it has performed well recently.

How badly does chasing performance hurt us?

Over a 20-year period – Dec 31, 1993, through Dec 31, 2013 – the S&P 500 returned an annual average of 9.28%. But the average mutual-fund investor made just over 2.54%, according to one of the leading industry research firms. That's nearly 80% difference. What people don't understand, besides that the index overwhelmingly beats the managed funds' performance 96% of the time, is that most investors make the mistake of thinking that a fund with a good track record is a "good fund". What they don't know is that, historically, a period of above-market performance for a given fund will be followed by a period of below-market performance. In statistics, this is referred to as a "reversion to mean."

Jack Bogle, the founder of Vanguard, created the first index fund. Vanguard has become the largest index mutual-fund manager in the world. – Why – According to Mr. Bogle, "maximum diversification, minimal cost, and no sales loads." We will discuss fees and loads in the next chapter, but I hope that this has cleared up the need to work with fancy and expensive mutual funds and, instead, switch your portfolio into an inexpensive index fund that will outperform the mutual funds 96% of the time.

Let's talk more about returns. Sometimes a lie is told so well that everyone believes it. Such is the case with stock-market averages.

Here is the bitter truth: The average returns reported by financial companies are not reality. This is infuriating for people like you and me who are trying to become more knowledgeable investors.

> The sad part is that many people in the financial industry don't understand what I'm about to tell you.

Most stock-market benchmarks (indexes as I have been talking about; such as, the S&P 500, the Dow Jones Industrial, and most mutual funds) report average returns over given periods of time. One year, three years, five years, and lifetime. They put them on their fact sheets. It's what many financial professionals preach to their clients. So, when your professional says, "the S&P 500 has returned an average of 10.0% over the last 20 years (2001-2021) even when you include the terrible results of 2008", this statement may be factually true, but in reality, it is misleading.

Why?

There is a dramatic difference between the average annual return and the actual return. Let me walk you through a simple illustration so that you can grasp this immensely powerful concept and take control of your financial future.

If a person invests $1,000 into an account, and this account experiences a negative 50% return in Year One and a positive 50% return in Year 2, how much money would be in the account at the end of the second year?

The ending value should be equal to its beginning value of $1,000?

Right?

Wrong!!

The average return over those two years is zero:

Year 1: +50% Year 2: -50%

= 0% / 2years = 0

The average return may be 0% but the actual return is -25%.

To illustrate:

Year 1: The account has a loss of 50%

$1,000 (Beginning Value)

- 500 (50% loss on $1,000)

$ 500 (Ending Value)

Year 2: The account has a gain of 50%

$500 (Beginning Value)

+250 (50% gain on $500

$750 (Ending Value)

Two-Year Actual Result

$1,000 (Beginning Value)

- 750 (Ending Value)

$ 250 (Net Loss)

So, as you see, at the end of two years, even though the average return is 0%, the account actually experienced a 25% loss.

What?

If the average return is zero, then how can the
ending value be less than zero?

The answer is that the actual return and the average return will never be equal whenever a negative amount is factored in. In other words, if you ever have to factor in a negative year (a year where the market went down), then the average return (the number that is told to the public) and the actual return (the amount that your account actually experienced) will never be the same.

Since markets do experience negative years, the averaging method just doesn't work. It's not an accurate picture of how a market or account has really performed unless every year during your investment period you experience a positive return.

What this means is that even though an investment could claim an average return of 0% in the example above, which would be a factual statement (leading individuals to think that they haven't lost any money), the client would have experienced an actual loss of 25% of their investment.

The statement that the S&P 500 has returned an average of 10.0% over the last 20 years is misleading. The actual return that this client experienced over the last 20 years is only 8.38%.

Look at these differences yourself by accessing the website MoneyChimp.com:

http://moneychimp.com/features/market_cagr.htm
You can enter any range of years and see the average versus actual return.

These are important things to know as an investor, and it's a shame that our "financial powers that be" have chosen to confuse and mislead the average investor about basic returns.

You might be reading this book in a bull market or a bear market.

> You need to have your investments set up to stand the test of time to do well in good times and bad.

We can all count on further ups and downs in the future. Therefore, developing a system and a proper asset allocation is crucial. I will talk about just how important that is in the last chapter.

I hope you learned here that you should not waste your time trying to pick stocks yourself or pick the best mutual fund. A portfolio of low-cost index funds is the best approach for a percentage of your investments because we don't know which stocks will be better going forward. And how comforting it is to know that by passively owning the market, you are beating 96% of the world's expert mutual-fund managers. It's time to free yourself of the burden of trying to win this race. By becoming the market and not trying to beat the market, you are on the side of progress, growth, and expansion.

However, the stock market should be only a portion of your financial portfolio. As you read on in this book, you will learn a lot about other options where the wealthy and those striving for financial freedom choose to place their money. As you will learn, the wealthy have specific reasons for investing and specific expectations of their money. For example, they do not have all of their money in a 401(k). Rather, you will see that their money is in different asset classes; some that cash flow, some that mitigate taxes or avoid taxes all together, some that provide guaranteed tax-free income for the rest of their life, and/or some that are made for appreciation only. One of the things that I hope you learn from the wealthy and this book is, as my dad said it best, "Never have all of your eggs in one basket." To have a truly "all-weather" portfolio, you must be diversified, and that doesn't mean having all of your money "diversified" in the stock market. It means being diversified in assorted products outside of the market to be truly on the path to wealth creation. More about that later.

I hope you see that by tapping into the power of indexing – by passively owning the market – you have very low fees. (Please read the next chapter about fees.) Nearly every person I've spoken with does not know exactly how much they pay in fees on their investments. I'll admit that I didn't know that at one stage in my life. The mutual fund companies, or "fee factories" as I like to call them, have become masterful at either hiding their fees or making them appear negligible, and nothing could be further from the truth.

When growing your wealth, you need every bit of forward progress to succeed. You can't afford to take two steps forward and one step back by letting excessive fees drain your account. So read on to learn in the next Chapter about those fees and what you can do to mitigate them.

Chapter Four

"The miracle of compounding returns is overwhelmed by the tyranny of compounding costs"
— Jack C. Bogle

"The mutual fund industry is now the world's largest skimming operation, a 7 trillion trough from which fund managers, brokers and other insiders are steadlily siphoning off an excessive slice of the nation's household, college and retirement savings."
— Senator Peter Fitzgerald

MYTH # 4
Management Fees Are Worth Every Penny.

The 13-trillion-dollar-mutual fund industry is, hands down, the most masterful in the craft of hiding fees.

Forbes recently ran an article titled "Real Cost of Owning a Mutual Fund." The author, Ty Bernicke, does the research and determines that the actual cost of owning a mutual fund is 3.17% per year.

Now, 3.17% doesn't sound like much, but think of it in the light of our previous chapter. You can buy all 500 stocks in the S&P 500 for as little as .14%, or, to state it in financial lingo, 14 basis points. That's just 14 cents for every $100 that you invest.

Owning the entire market is accomplished through a low-cost index fund such as those offered through Vanguard. And we already know that owning the market beats 96% of all of the mutual fund "stock pickers" over a sustained period. So that means that with most mutual funds, we are paying nearly 30 times or 3,000% more in fees. That makes absolutely no sense.

Let's look at the cost of ignorance.

Imagine three investors Tom, Larry, and Michael, all age 35, and each has $100k to invest. Each selects a different mutual fund, and yet, all three have equal performance in the market at 7% annually. At age 65 we compare their balances, assuming Tom's annual fees are 1%, Larry's fees are 2%, and Michaels's fees are 3%.

The impact of fees to their ending balances are:
Michael: $100,000 growing at 7% (minus 3% in annual fees) = $324,340

Larry: $100,000 growing at 7% (minus 2% in annual fees) = $432,194

Tom: $100,000 growing at 7% (minus 1% in annual fees) = $574,349
Same investment amount, same returns, yet Tom has nearly

twice as much money as Michael.

Again, only 1% here or there doesn't sound like a lot, but compounded over time it could be the difference between working a decade longer before you have the ability to retire. As Jack Bogle has told us, by paying excessive fees you are giving up 50% to 70% of your future nest egg.

I talk to people every day and ask what the goal of their investing is. The most common answer I receive is freedom. Freedom to do more of what they want when they want and not be tied to a job or a boss who they dislike or even hate. It is a beautiful dream and an achievable one. But most people don't realize the devastating

impact that excessive fees have on their nest egg. What is so incredibly frustrating is that most people have no idea that this is happening to them. They have no idea that they are the victims of a financial industry that is systematically overcharging them. This is a big reason I authored this book. But don't just take my word for it. AARP published a report in which it revealed that 71% of Americans believe that they pay no fees at all in their 401(k) plan. Seven out of 10 people are completely unaware that they are even being charged a fee. And 92% have NO IDEA how much they are actually paying.

This brings up in my mind, the old saying, “Ignorance is bliss.” When it comes to your retirement and your finances, ignorance is not bliss. The remainder of this chapter will be me shining a light on fees so you will know exactly what is going on. The good news is that once you know what is happening, you can put a stop to it. Okay, okay, why does this matter so much to you, Stephanie? Because excessive fees can destroy two thirds of your retirement savings.

As Jack Bogle Summarized:

“Let’s assume the stock market gives 7% return over 50 years. At that rate, because of the power of compounding, each dollar goes up to 30 dollars, but the average fund charges you about 2% a year in costs which drops your annual return to 5%. At that rate, you get 10 dollars.

So, 10 dollars versus 30 dollars. You as the investor put up 100% of the capital, you took 100% of the risk, and you got 33% of the return.”

Once you finish this chapter you will know how to take back control. By minimizing fees, you will save years of retirement income. This one move will dramatically accelerate your journey to financial freedom.

Now you may be thinking, ‘Wait a minute. I looked at the “expense ratio” of my mutual funds and it is only 1%. And I’m sure that I have some “no Load” mutual funds.’ The expense ratio is the sticker price, but it does not tell the whole story. Don’t feel bad about not knowing this. The financial institutions expect we are busy making a living and taking care of our families, and they are counting on your lack of time or bandwidth to read 50 pages of disclosures.

I have completed the daunting task of reading the 50+ plus prospectus of 10 funds. As you can imagine, this was very boring, and the overload of “legalese” made deciphering even more difficult. There was language that I didn’t understand, acronyms that I had no clue what they stood for, and very interestingly a catalogue of 17 different fees that were being charged beyond the “Expense Ratio”. In addition, there were even more costs that weren’t direct fees but fees that were passed on and paid for by the investors. To better hide the fees, Wall Street and the vast majority of 401(k) plan providers have produced some pretty confusing terms – asset management fees, 12b-1 fees, trading costs, soft-dollar cost, redemption fees, account fees, purchase fees, record-keeping fees, plan-administration fees, and on and on. Each of them costs you money.

A report published by Robert Hilton Smith, a policy analyst at the public policy organization Demos, was titled The Retirement Savings Drain: The Hidden and Excessive Costs of 401(k) s. He calculated the average worker will lose $154,794 to 401(k) fees over his lifetime (based on an annual income of approximately $30,000 per year saving 5% of his income a year). A higher income worker will lose upwards of $277,000 in fees in their lifetime!

> So, I hope you are starting to see that it doesn't matter how great your strategy is if excessive fees are eating away at your nest egg.

Let's take this step by step. First you need to know how much you are paying. I recommend you use www.personalfund.com for its calculator, which analyzes each of your funds and looks beyond the expense ratio to the additional fees as well.

Please note, these calculators can only estimate the fees. They don't take into account whether or not you own the mutual fund inside of your 401(k), in which you won't be paying taxes on the growth but will instead be paying a "plan administrator". Some 401(k) plans are low cost while others are very heavy with expenses. The average plan administrator charges 1.3% to 1.5% annually, according to the government accountability office. This seems overwhelming but we are going to tackle this bit by bit so that you can stop this thievery today.

Remember, hidden fees in mutual funds average 3.17%. The difference between owning high-cost mutual funds versus low-cost index funds could literally force you to work an extra decade. And as we covered in Chapter 3, studies show that the high fees that come along with those mutual funds almost never lead to increased performance. So, to escape the fee factories you must lower your total annual fees to 1.25% or less. This means that the cost of advice (a registered investment advisor to help you allocate appropriately) plus the costs of investments should ideally be 1.25% or less. For example, you might be paying 1% or less to the registered investment advisor and .2% for low-cost index funds like those offered through Vanguard for a total of 1.2%. And please note, the 1% paid to the advisor as a fee can be tax deductible. By simply removing expensive mutual funds from your life and replacing them with low-cost index funds you will have made a major step in recouping up to 70% of your future retirement savings. There are Vanguard and Dimensional funds, both of which are great low-cost index fund providers. If you don't have access to these in your 401(k), then I will show you how to access them in the chapter on 401(k)s.

Breakout Fees

1. Expense Ratio

This expense is the main price tag to a mutual fund. But it certainly doesn't tell the whole story, as we learned that there are many other fees associated with running a fund that are not included in the expense ratio. According to Morningstar, U.S. mutual funds charge an average of 1.31% of assets each year.

2. Transaction Costs

This is a broad category that can be broken down further into categories such as brokerage commissions, market impact costs, and spread costs. A study by Roger Edelen, Richard Evans, and Gregory Kadlec found that U.S. mutual funds average 1.44% in transition costs per year. This means that transaction costs are the most expensive component of owning a mutual fund, but the industry has deemed it too difficult to quantify, so it goes UNREPORTED in the brochures.

3. Tax Cost (or 401(k) Costs)

Many people are excited about the tax- deferred treatment of their 401(k), but for most employees, the tax cost has been swapped out with “plan administrative fees”. These are charged IN ADDITION to the fees paid to the underlying mutual funds. According to the Government Accountability Office, the average plan administrator charges 1.13% a year. According to Morningstar, if you own a mutual fund in a taxable account, then the average cost is between 1% - 1.2% annually.

4. Soft-Dollar Costs

Soft-dollar trading is a quid pro quo arrangement where mutual fund managers choose to pay inflated trading costs so that the outside firm executing their trades will then rebate the added cost back to the fund manager. The fund manager can use these funds to pay for certain expenses such as research and reports. These are costs that a fund manager would usually have to pay, so the upshot is that you and I pay. These are well- disguised increases in revenue for the firm managing your fund, and they are unreported so nearly impossible to quantify. But they do exist, and they do cost you.

5. Cash Drag Exchange Fees

Mutual fund managers must maintain a cash position to provide daily liquidity and satisfy any selling. This means that part of the portfolio is invested in cash or cash-equivalent securities where it has no market exposure. Since this cash is not invested, it doesn't generate a return, which negatively affects the performance of your overall portfolio investment. According to William O'Reilly and Michael Preisano in their study called "Dealing with the Active," the average cash drag on large-cap mutual funds over a 10- year time horizon was .83 a year. This is a cost that takes away from your performance.

6. Redemption Fees Cash Drag Exchange Fees

If you want to sell your fund, you may pay a redemption fee. This fee is paid to the fund company and the Securities and Exchange Commission limits it to 2%. So, it could cost you $2,000 to get back your $100,000!

7. Exchange Fees

Some funds charge a fee to move or exchange from one fund to the other within the same family of funds.

8. Account Fees

Some funds charge a maintenance fee just to have an account.

9. Purchase Fees

A purchase fee, not to be confused with a front- end sales loan (commission), is a charge to purchase a fund that goes directly to the fund company.

10. Sales Charge (load) or Deferred Sales Charge

This charge is typically paid to the broker. It's either deducted when you purchase the fund (so a smaller amount of your initial deposit is used to buy shares in the fund), or you pay the charge when you exit the fund and redeem your shares.

In this chapter you've learned what an astounding impact fees can have on your financial future. But what will you do with this knowledge? Will you act on it?

Let's just say you stop buying actively managed mutual funds that charge crazy high fees. And instead, you invest in only low-cost index funds from now on. What is the result? At the very least, I would estimate that you can cut your fund expenses by 1% a year.

But wait, there's more! Let's say your index funds outperform the actively managed funds by 1% annually. In total you have just added 2% a year to your returns. This can give you 20 years of extra retirement income.

You do have the power to change your financial future.

TAKE ACTION TODAY
to dramatically drive down your costs.

We are just getting started. Get ready to learn more about another area where you can save yourself a fortune on your 401(k).

Let's get started…

Chapter Five

Follow the moeny, Always follow the money”
— Deep Throat from the Watergate scandel

“One of the worst aspects of the 401(k) industry is the conflict of interest. So, the 401(k) industry took fees from customers, paid lobbyists to go to Congress to say, “You don’t need fee transparency. People won’t really understand it. Let the market thrive, and then through competition, the fees will just be appropriately priced.”
— Frontline: The Retirement Gamble

Myth #5
A 401(k) Is A Great Retirement Vehicle.

The 401(k) is the one of the largest and most misunderstood retirement vehicles of personal finance in our lifetime. It is the supreme representation of marketing genius employed by financial institutions to get you to hand over and lock up your money.

It didn’t start out that way. The 401(k) was a great invention. It was created in 1984 to offer regular people like you and me a chance to build wealth by making tax-deductible contributions to a retirement account directly from our paychecks. It was a great concept, but the 401(k) was never meant to be the sole retirement plan for Americans. You can't expect to save 3% of your income for 30 years of working and then live off of it for another 30 years of retirement. And let's not forget that this social experiment is only a few decades old. Nearly 60 million Americans now participate in 401(k) plans. To put it in perspective, only 64 million Americans own a home. More than five trillion dollars currently invested in 401(k)s has become "THE" savings vehicle.

Do you know what happened? Somewhere along the line, the dream got off track. With trillions of dollars up for grabs, financial firms dreamed up countless ways to dip ALL of their fingers into ALL of your pie. This is hard to believe, but for almost three decades, the companies providing 401(k) plans were not even required by law to disclose how much they were charging their customers. Not until 2012 did the government finally force these firms to make detailed disclosures of how much they were extracting from your savings. In what other industry would customers tolerate this "trust me" style of doing business?

So now that the laws were fixed in 2012, would you guess that the problem has been fixed? I think you should know by reading Chapter 4 that the answer is a definite No. Unfortunately, the 401(k) system is still a black box.

As I discussed in Chapter 4, today the financial firms provide disclosure documents that are often 30 to 50 pages of impenetrable language. And it is no surprise that most people do not want to devote their weekends to reading these ultra-complicated documents. So instead of digging through the fine print, most participants simply trust that their employers are looking out for them, and most employers are trusting the broker who sold the plan to them. Please remember that 71% of people enrolled in 401(k)s think that there are no fees, and of those who are aware that there are fees, 92% admit that they have no clue what they are. But the truth is, the vast majority of plans are characterized by HUGE broker commissions, expensive actively-managed funds, and layer upon layer of additional and often hidden charges.

401(k) It is actually one of the bigges gambles for most individuals.

Now I would like to talk about eight of the many reasons that putting your money into a 401(k) and/or similar qualified plans is not investing at all.

1) Limited opportunity for cash flow

To say that 401(k)s do not provide immediate cash flow is a gross understatement. You will not get access to your money until you are 59-1/2 years old. This means the money is tied up, and you cannot benefit from the utilization model of money we discuss way back in Chapter 2. The theory that the establishment gives is that letting the money sit allows it to compound, but as we have talked about, and as Jack Bogle says, it also lets the fees compound. A lifetime of "investing" this way could lead to Wall Street keeping 80% of your returns through fees while you keep only 20%. The investor, by choosing to invest only in a 401(k), abdicates all responsibility of investing for their WHOLE working life to the decisions of their employer – who most likely knows less than you know after reading this book – and the financial companies that prey on your lack of knowledge as a parasite siphoning off your growth without taking any risk or using any of their money.

2) Lack of liquidity

The money is tied up with penalties attached for early withdrawal. Although there are a few technicalities that allow for penalty-free withdrawals, the restrictions are so numerous that very few know how to navigate them.

3) Market dependency

The performance of the funds is dependent upon market factors that most individuals do not have the knowledge, desire, nor ability to understand or mitigate. This means that your retirement plans are based on unknowable projections, making for dangerous and uncertain planning.

Uncertainty Causes Fear.

4) Lack of knowledge

How much do you know about your 401(k)? Do you know what happens to the money? Do you know the funds in which you are invested? Have you seen financials for these companies, and do you know anything about their key executives? Do you know the fund manager by name, their track record, their business plan? How can you expect to gain a return from something you know so little about? How can you create real tangible value in a 401(k) scenario? How can this even be called "investing"? Without full knowledge of the investment, placing money amounts to little more than gambling, which is the desire to get something for nothing.

5) Underutilization because of tax deferral

Our government has a spending problem. Like an out-of-control teenager with a platinum Amex, Uncle Sam has racked up $24.5 trillion in debt and close to $162 trillion in unfunded (not paid for yet!) liabilities with Social Security and Medicare. So, do you think taxes will be higher or lower in the future? If you don't like paying taxes today, then why would you like paying them in the future? So, the tax deferral aspect of a 401(k) that is its selling point is actually a primary factor contributing to qualified money being notoriously underutilized. If you still have to pay the taxes at a later date, then how is that a "tax advantage"? The reason there is no tax paid is because you have deferred a portion of your earnings by not taking receipt of them and, instead, are directing it into your qualified plan. I will get into the concept that every investor must get familiar with in Chapter 10 of this book, Diversify Your Tax Consequences.

6) Estate taxes

401(k)s are sitting ducks for estate taxes. Much qualified plan money is never utilized by those who actually accumulated it because they hold off so long on withdrawing it for fear of paying taxes, yet when the money is passed on to the next generation, there is not only an income tax that can be triggered, but it may also be subject to an estate tax. So, if you have no plan for when the 401(k)money is passed to the next generation, then the government will take their healthy chunk first and the leftovers go to your heir(s).

7) No exit strategy

Getting into an IRA is simple enough. Many companies start employee's 401(k) contributions automatically upon hiring them. They sound great. You're getting a match, tax deferral, and many fund options. But how are you going to get out of it? When contributions start, how many people take into consideration withdrawals? How many people understand the penalty and tax consequences related to early withdrawals? Unfortunately, most people don't fully realize the implications until it is too late, so their qualified plan funds sit unutilized. In that case, what is the real return on your money? And the more important question is: Who are the real beneficiaries? Not the people who invest and not their heirs. It's the financial institutions and the government.

8) Supports you giving up responsibility for your investments

Ultimately, I believe the most destructive aspect of the 401(k) is that they cause many people to abdicate their responsibility, abandon self- reliance, and neglect their stewardship over their own prosperity. People think that if they throw enough money at the "experts" that somehow, in some way, and without their direct involvement, they will end up 30 years later with a lot of money. And when things don't turn out that way, they blame others despite the fact that they have only themselves to blame. Fortunately, you don't have to be one of those people.

I could go on and list 10 more solid reasons of why 401(k)s are not the safe investment that many think they are, but I hope that you are beginning to see my point. Qualified plans are promoted on such a wide scale because those promoting them have vested interests.

Unfortunately, Their Interests Do Not Align With Yours.

Another point that is rarely brought up but that I believe is incredibly significant: If you, like the majority of people, have a 401(k) and do not know what companies you are invested in, are you investing your dollars in companies that share your same values? I don't think that, in this day and age, this is an insignificant point. For example, let's say you are very committed to buying only American made products, yet the majority of companies you are invested in have their jobs and production overseas. Most people want their money to be invested in a company with ethical leaders, pillars of the community who espouse many, if not all, of your beliefs. So, before you hand over your money, do the research to be sure that these values align with your own.

If you currently contribute to a 401(k), stop and think about it for a moment. What is it doing for you now or in the future, or rather, what is it failing to do for you? The desire to save and invest money for retirement is wise, but after reading this chapter, do you think that it is possible to find different investment philosophies, products, and strategies that would meet your financial objectives much more quickly, safely, and with fewer fees than a qualified plan?

Are you still comfortable with your 401(k) now that you know about exposing yourself to this much risk? Can you devise a plan to mitigate your risk, increase your returns, and create safe, sustainable, cash-flowing investments? Can you create more control and better exit strategies to reduce your tax burden and increase your cash flow?

If you are struggling with some of these answers, then please read this entire book, as Chapters 7, 8, and 9 introduce you to a wholedifferent world of alternative investments that will exceed in short order what you are doing now, and Chapter 10 will talk about the elephant in the room that most financial advisors will never address in any meaningful way – Taxes. This is not a small component of building your retirement and wealth. In fact, I would argue that unless you have a tax strategy in place, your money is a sitting duck for the IRS.

> If, by the time you have finished reading this book
> you still have questions,
> then I invite you to go to Erbewealth.com
> and see what we can do to support you.

FAQ's

#1 Should I participate in my 401(k)?

To the extent that your employer matches your contributions, you should take advantage of your 401(k), as the company is essentially covering taxes for you. But definitely do your research on your 401(k) plan, as it might be quite expensive and the investment options poor. If that is the case, then you may not want to participate at all. If you want to keep some of your money in your 401(k), then make absolutely sure that it has the lowest possible fees and low-cost index-fund allocations options. You can see how your company plan fares by using the fee checker at http://www.showmethefees.com.

#2 Should I set up a Roth IRA?

Yes, you can and should set up a Roth IRA account and contribute $5,500 per year ($6,500 if you are age 50 or older). Opening a Roth IRAs is as simple as opening a bank account.

Your existing 401(k) contributions are Roth eligible. All you have to do is check a box, taxes will then be withheld on your contributions, receive the after-tax amount, and you will never have to pay taxes on that money again. Not on the growth and not on the withdrawals. Both a Roth and a Roth 401(k) protect your money from the government's insatiable appetite for more tax revenues, but most importantly, they allow you to plan with certainty the exact amount of your future withdrawals. With your 401(k) contributions being Roth eligible, you can contribute substantially more because while a Roth IRA is limited to $5,500 annually, the Roth 401(k) allows for $17,500 per year. You can and should do both simultaneously.

Although a high-income earner (making more than $122,000 a year) can't use a Roth IRA, there are no income limitations on the Roth 401(k). This is a relatively recent change in our tax code and can provide quite a benefit for high-income earners.

Don't you fret, high-income earners. I will introduce you to several ways to increase your retirement and wealth. I guarantee you haven't heard of any of these strategies – these super-secret tools of the wealthy investor – and you will be happy that you learned of them. So, keep reading!

#3 Old 401(k) from a previous employer rollover

If you have money sitting in an old 401(k), then it is probably stagnating while still subject to excessive fees, and you should roll it over to a self-directed IRA (SDIRA). This is a little-known cousin of the IRA, and in it, you can hold alternative tangible cash-flowing assets like real estate and businesses that we will be talking about more later in this book. This is an excellent way to get out of the market and truly diversify your portfolio.

#4 Diversify into tangible cash-flowing assets

As my dad used to say, "Do not put all of your eggs in one basket."

Not surprisingly, the wealthy heed this advice very strongly. How do I know this? I have worked with the very wealthy for years, and I have seen firsthand how they invest their money. The wealthy understand the value of physical assets, and they allocate their money accordingly. They invest in assets such as private and commercial real estate, land, gold, artwork, annuities, and very specialized well-structured life insurance policies.

This runs polar opposite to the average person who invests in highly liquid stocks and bonds. But as I have learned, the wealthy have a long-term strategy. They want ownership in these illiquid assets that are uncorrelated with the market because these assets aren't as susceptible to market swings, and they pay off over the long term.

Next up - I tackle another very destructive myth:
To become wealthy, you must invest in very high-risk investment strategies. Nothing could be further from the truth.

Chapter Six

> "A simple rule dictates my buying:
> Be fearful when others are greedy
> and be greedy when others are fearful."
> — Warren Buffett

> "Superficially,
> I think it looks like entrepreneurs have
> a high tolerance for risk.
> But one of the most important phrases in my life is
> "protect the downside"
> — Richard Branson

Myth # 6

Very High-Risk Investments Are The Path To Great Wealth.

I am truly fortunate to be asked to be a guest on many podcasts, and one of the most frequent questions I am asked is: What are some myths that we believe wrongly about; what do the wealthy do with their money? My first response is that people think the wealthy become that way by investing in very high-risk opportunities when nothing could be further from the truth. The wealthy tend to be the most conservative investors I have ever worked with, and they want to mitigate their risk on any investment so that it can be as low as possible.

"Wait a minute," you might be saying as you think of the first time you met with your own financial planner. One of the first steps they will take is to fill out a risk-tolerance questionnaire that asks questions such as: When do you hope you retire? What would you do if the market declined? How much risk can you comfortably take? The planner asks these questions because, according to many in the financial industry, the higher the risk the greater the return. In fact, it's pretty hammered into us that we can get high returns only if we are willing to subject ourselves to enormous amounts of risk.

Let's just stop and think about that for a moment. They are essentially telling us that in order to increase our chances of winning we must increase our chances of losing. And we are buying into this belief. How does this make any logical sense whatsoever? Financial institutions have reduced financial success to a matter of gambling. Why do they want us to buy into this? What is in it for them? Why do we do this and take on these risks, especially since the wealthy - and I know this first-hand - do exactly the opposite? So, how do we get safe, sustainable, high rates of return without considerable risk?

The philosophy that high returns necessitate high risks comes from relying on products, companies, and people other than us. It's based on the crazy idea that to invest, we must throw away our money in 401(k)s, IRAs, and mutual funds to buy shares in companies that we know little, if anything, about and have no hope of influencing. Then we hope and pray that we make money. This strategy implies that individual investors can have little to no control over their rates of return and the risk factors involved. In this theory, there is a dependence on the performance of everything except what the individual investor does.

To increase our returns, we must take responsibility for increasing our chances of winning and decreasing our chances of losing. This seems so logical, but it is not what is taught. The reality is that the best investments with the highest returns are by their very nature the lowest risk. The better we manage our risk the higher our returns will rise.

In this chapter, I will discuss
how to increase your returns
by mitigating your risk through wise investing.

No responsible individual
has to accept low returns as the price of safety.

In working with my wealthy investors over the years, I have come to realize that there are four major rules that nearly all of the great investors use to guide them in making decisions. These four rules, which I will explain later in this chapter, can powerfully influence your ability to achieve financial freedom. If you behave like these wise investors, then good investments and prosperity will follow. Never again accept the myth that you must be willing to stomach high risks in order to achieve high returns. The truth is exactly the opposite – the better you manage your risks the higher your returns will be. There is, in fact, a direct relationship between risk and reward, but that relationship is what banks and other financial institutions practice themselves, not what they want the public to believe. They teach these myths in order to transfer their risk to consumers. The more risks the consumer takes on the fewer risks the bank must take. It is a genius strategy on their part, but it is a crippling mistake on our part to believe it. If we want to prosper, then we must learn how to reduce our risks and simultaneously raise our returns. We do this by first recognizing that we, as individuals, are our most important assets, and by taking the time and making the effort to get educated, as opposed to pushing off the responsibility of handling our money to financial planners and people who get paid to put you in products that enrich them, we overcome the high-risk-high-reward myth. We must become wise investors.

The best investors understand that these four rules that I'm about to reveal are not just for knowing. They are for practicing. For me personally, whenever I'm presented with an investment opportunity for which I'm considering raising money, I want to know whether or not the investment meets the majority of these four criteria. If it doesn't, then I pass on the deal.

Chapter 6

Investor Rule #1
Don't lose money

The first question that every great investor asks is, "How can I avoid losing money?" This sounds counterintuitive. After all, most of us focus on exactly the opposite question: "How can I make money? How do I get the biggest possible return and hit the jackpot?"

The best investors I've ever met are obsessed with avoiding losses. Why? Because they understand a simple but profound fact: The more money you lose the harder it is to get back to where you started. Remember in Chapter 3 when we talked about actual returns versus market returns? This is so important that I think it's worth revisiting to clarify why losing money is such a disaster. Let's say you lose 50% of your money in a bad investment. How much will you have to earn to make you whole again? Most people will say 50% and that, as you now know, is incorrect.

Let's quickly map it out again. If you invest $100k and lose 50%, then you now have $50k. If you make a 50% return on that $50k, then you now have $75k, and you are still down $25k.
So, in reality, you need a 100% gain - basically doubling your money – just to recoup your losses and get back to the original $100k. That could easily take a decade or longer.

> "Rule Number One: Never Lose Money.
> Rule Number Two:
> Never Forget Rule Number One."

How to go about doing that? We must design an asset allocation that ensures we'll be okay even when we are wrong. We'll discuss more about asset allocation in Investor Rule #4.

Investor Rule #2
Asymmetric risk/reward

Again, according to what we have been taught by others, you need to take big risks to achieve big returns. But the savviest investors do not fall for this high-risk-high-return myth. Instead, they hunt for investment opportunities that offer what they call "asymmetric risk reward"– a fancy way of saying that the rewards should vastly outweigh the risks. In other words, these winning investors always seek as negligible risk as possible to make as much profit as possible.

So how can you apply this pattern of thinking to your own financial life? One way is to become a "value investor." A value investor is defined as "the process of seeking and buying assets that are undervalued." An example of value investing in real estate transactions, which I will talk about more in the next chapter, is that commercial real estate is valued by the net income that it produces.

So, if a person or team is a value investor, then they will look to acquire a commercial piece of real estate that has exceedingly high expenses or very low rents - ideally, a little of both – acquire the property at a below-market price, and then "fix" these problems.

The effect is that net income increases, which increases the value of the property.

Let's look at a simple example:

Step 1 – Purchase a 90-unit property

Step 2 – Raise rents $200 per month per unit

$200 x 90 units x 12 months = $216,000 increase in annual net operating income. Divide that increase by the market cap rate (a compilation of similar commercial properties that have sold in the same area). Let's assume 8% in this example: $216,000/.08. By making that one change, we have increased the value of this commercial apartment building by $2.7 million!

Step 3 - Bask in the pleasure of having created this outcome! These investments are a perfect example of asymmetric risk / reward, as we are buying a stable but underperforming cash-flowing asset and increasing the value dramatically - asymmetrically!

Investor Rule #3
Tax mitigation/planning

This principle is so important that I am dedicating an entire chapter (10) to it. When I began working with wealthy investors, I noticed that they had a clear strategy of mitigating their taxes; oftentimes before they even invested in the deal. Taxes are not insignificant. I will say this again - Taxes are not insignificant! Taxes can easily wipe out 30% to 50% of your investment returns if you are not careful. Yet mutual fund companies love to tout their pretax returns, obscuring the reality that there's really only one number that truly matters - the net amount that you actually get to keep.

Most people are counting on their 401(k) to pay for their retirement, not realizing that they have a partner in their 401(k) – the IRS. This partner takes half or more when the distributions occur. Many people hear "asset allocation" and "diversification of investments" and think that this will create the desired all-weather portfolio. But I am going to introduce you to a term that you likely have never heard before

— tax treatment diversification.

We recognize the need to diversify our assets that leaves us vulnerable to losses. But what about our taxes? Well, some people will say that the IRS always taxes everyone the same, and we know that that is not true. But most people have used only the

401(k) model and, therefore, are stuck when – unfortunately – it is too late. They did no tax planning and now Uncle Sam is their partner in their "nest egg."

I will go into this in greater detail in Chapter 10, but everyone should have their retirement funds diversified into three tax buckets:

#1	The tax-deferred bucket
#2	The tax-preferred (real estate and such) bucket
#3	The tax-free income bucket

Investor Rule #4
Diversification

This final principle is what most everyone knows – don't put all of your eggs in one basket. But there is a difference between knowing what to do and actually doing what you know. There are important ways to effectively diversify. Specifically, you should diversify across different asset classes. Avoid putting all of your money in real estate, stocks, mutual funds, bonds, or any single investment class.

Here is where I lose 90% of people. They say, "My financial planner says I am diversified in my holdings through my 401(k)." Well, I think most people would agree that having all of your money in a 401(k) means that you have no non-market investments.

What do you think the wealthy are invested in? I think the answers would surprise you. I have looked at hundreds, possibly approaching thousands, of financial statements of my wealthy investors over the past years, and what I have learned is that they invest in many different things. There are a number of similarities between wealthy investors, but most shocking is that the percentages of different assets that they invest in are strikingly similar.

The common thread of what they are consistently invested in are the following:

Real Estate – not single-family rentals but real estate syndications that I will discuss in Chapter 7

Business/Private Equity – capital investments made into companies that are not publicly traded on a stock exchange.

Annuities and Strategically used life insurance policies

Public Equity – buying individual stocks, mutual funds

I would guess that most investors who are reading this book are woefully underrepresented in real estate and private equities. Dare I speculate that most people have 90% to 100% of their money in the stock market or market-traded public equities.

**Don't get discouraged.
The remainder of this book
is to help you become familiar
with these other strategies
that the wealthy have used for years.**

**The wealthy understand the reasons why
diversifying is so critical.**

Diversification protects us from a natural human tendency to stick with whatever we feel we know. The trouble is that everything is cyclical, and what is hot can suddenly become as cold as ice. True diversification is your insurance policy against a financial nightmare. It decreases your risk and increases your return, yet it doesn't cost you extra.

If you continue to practice this myth that high risks translate into high returns, then it will aid you in avoiding responsibility for your investment decisions. In addition, it will fill your life with unnecessary fear and worry that will prevent you from thinking productively. It ignores that fact that neither the individual investor (you and I) nor the particular product is the factor that determines the outcome of investments. It guides us toward following the crowd and suffering when the crowd is wrong. You must educate yourself to take control over returns and mitigate risks in order to prosper. The lower our risks the higher our rewards.

By now, you're already way ahead of the game. You belong to a tiny elite that understands these four all-important rules that the best investors use to guide their investment decisions. If you live by them, then your odds of investment success will rise exponentially. In the next few chapters, I will introduce you to financial vehicles routinely used by the wealthy, and this will likely be new information to you. So, let's pull open the curtain and learn the secrets of the wealthy investor!

Chapter Seven

"Buying real estate is not only the best way, the quickest say, the safest say, but the only way to become wealthy."
— Marshal Fields, founder of Marshal Fields

Myth #7
Real Estate Investing is Too Risky.

This is one of my favorite chapters. Real Estate is a powerful tool for building wealth…period. Now when I mention this, many peoples' eyes gloss over as they imagine going to their rental property, banging on the door, and collecting rent. Perhaps there's NO WAY that they want the stress of having a 9-to-5 job AND living with the fear that they will get that dreaded call at 2am from their tenant who has no heat, overflowing toilets, or something even worse.

Many people buy their first rental property and try the landlord thing for several months or even years, and then they've had it! The cash flow is not worth the headache, so then they employ a property manager who promises to make all of their headaches disappear. And perhaps they do, but it usually comes at a steep price that cuts into the bottom line 7, 8, 9% of the GROSS rent. Now the investor is wondering why they ever made this investment. They try to convince themselves that they are holding on for that future appreciation that is bound to be there after 10, 15, or 20 years. Believe it or not, I have been there/done that. I bought my first single-family rental in 2005 with the buy-hold-and-grit- your-teeth-until-retirement strategy.

I'm going to share with you something that I WISH someone had told me in 2005. There is a strategy in which you can take advantage of all of the benefits of real estate without the headaches of managing the property yourself.

It is a strategy that has been around for hundreds of years, and until 2012, wealthy people mainly used it, all of whom knew each other – the epitome of an "investment club". (Think smoky back rooms of a country club setting.) Fortunately, in 2012, the requirements changed, allowing a whole new group of investors to take advantage of this amazing strategy of truly hands-off-real- estate investing. This was a byproduct of the Jumpstart Our Business Startups Act (JOBS) legislation that Congress passed that year. Before the passage of the JOBS Act, investing in real estate syndications was limited to only wealthy, connected individuals and was a result of the Securities Act of 1933. In short, the JOBS Act made the process of raising capital much more accessible to many more Americans. And the end result eventually made investing in crowdfunding possible. And now everyone has the opportunity to invest just like the wealthy and connected folks do.

Chapter 7

Syndication

It's called a syndication, and simply put, it is the process of teaming up with a professional team of well-connected people to acquire undervalued commercial real estate. As I mentioned before, this is not new, and it's a real tragedy that more people do not know what this is or how it works. There are many types of syndications, so in this chapter, I will focus on a passive investment done in a Commercial Multi-Family Real Estate Syndication. I'm talking about apartment buildings, aka "multi-family properties."

The advantage of pooling your money with a group of other investors is that you can invest in a much larger and more profitable cash flowing deal than any one investor could do on their own.

NOTE: I use varying terminology in this chapter. The terms "syndicator," "operators," and "sponsors" are interchangeable, and all refer to the professional team that runs a syndication.

How does it work?

A real estate syndication is a legal transaction between two parties – Syndicators/General Partners and the Investors/Limited Partners. In other words, the General Partners should be a well-experienced professional team that can show the prospective investors a solid track record of positive performance.

The General Partners are responsible for finding the property, negotiating with the seller, finding funding, completing all due diligence, bringing on the passive investors and their funding and, most importantly, managing the day-to-day operations and completing regular reports and communications for the investors.

The General Partners will hire a SEC real estate attorney who will put together the syndication paperwork, which should include: Product placement memorandum and subscription agreement along with an operating agreement that clearly lays out how distributions will be paid, voting rights, sponsor's right to property management fees, communication requirements, and so on to protect all parties involved, and also to set expectations on how the process will go.

How do investors profit in syndications?

The General Partners and the Limited Partners make money in two ways – property appreciation and rental income (cash flow). Rental income is distributed to the investors on a monthly basis shortly after acquisition and, ideally, continues uninterrupted until the end of the investment. Investors receive between 7% and 9% preferred return paid every month.

The General Partners are professionals who are very familiar with the plethora of what's necessary to increase the value of the apartment complex, and the shared business plan will state the professionals' plan for increasing the property's value. Eventually, the syndication will make large profits on the sale of the property, of which each investor will receive their share. To give you a ballpark, our projects return 20%+ per year. The duration depends on the property, the professional team, and the business plan.

Benefits

#1 A lower minimum investment

Instead of acquiring and managing a property on their own, an individual investor can participate in a 50- to 500- unit multifamily property at a SMALL fraction of what they would have to invest in their own personal deal.

#2 Benefit from a professional team running the project

Real estate syndications provide professional management for a low fee. You, as the investor, do not need any of that expertise.

#3 Access to a large institutional-grade type of property

The major investors in large apartment buildings are banks, insurance companies, and pension funds. Have you ever thought that you could invest in a 20-, 50-, or even 100-million-dollar property? With syndications you can!

#4 Passive investment

Because of professional management, an individual's real estate syndication is truly "passive." You can focus on your job and your family while the syndicator generates returns for you – a far cry from direct real estate ownership. Investing as part of a Limited Partnership allows the individual investor to benefit from the expertise of the General Partners' professional team without having to spend time and energy managing the property.

#5 Leveraged returns

Real estate generates high returns because of the effective use of leverage. While investing in REITs is a great start, you cannot obtain leverage benefits. And leverage on stocks is risky due to margin calls. Real estate syndication provides leveraged returns on your investment while continuing to be a passive asset for growth.

#6 Economies of scale

Anyone who owns a rental property knows that the amount of work it takes to manage a single family is almost the same as operating a duplex – the work doesn't double. As you scale up to more units you can hire a repair person or a full-time property manager. Real estate syndication is targeted towards larger properties where the benefits of size come into play. Everything from ordering material to rehabbing the units to managing the property has a lower per-unit cost, and that translates into higher profits.

#7 Limited downside

The risk to the investor is limited to the capital provided. If the deal goes bad, you can lose the money invested or receive less than promised. As a limited partner, you cannot lose more than your investment amount. There is tangible value in the asset. On the other hand, if you own real estate directly and a tenant gets injured on your property, they could sue you for millions. So, your risk with a direct real estate investment could be far more than what you invested in it.

#8 No impact to personal credit

The syndication – not you – obtains a bank loan that does not impact your credit score or show up on your credit report. Conversely, if you buy real estate as an individual, the loan is typically in your name, limiting the amount of credit available to you.

#9 Cash flow

Not all deals and operators are created equal. But with the investment opportunities in which I'm involved, my requirements are that cash flow starts within the first three to six months and continues monthly through the entire hold time of the investment – typically three, five, or seven years.

#10 Tax benefits, of which there are many. Following are the most important ones.

Depreciation is one of the most impactful tax advantages of real estate ownership, including syndications. If you have invested in single-family rentals, then you are well aware of the 27.5-year expected life of the property, as purchased, plus all improvement costs during ownership (39 years for commercial property) and the positive impact that depreciation on these improvements has had on your tax situation. For those of you who have not invested in real estate, depreciation allows you to legally report a smaller profit to the IRS, thereby either reducing the amount that you owe in taxes or increasing the amount of your refund. In this way you can significantly offset the gains.

However, it can be even more impactful if you work with a syndicator who does a "cost segregation study" on the investment property. A cost segregation study is usually performed upon becoming the new owner of a property. This study, which was completed by an actual person, identifies improvements that can be depreciated over a shorter period. So, items that were once upon-a- time depreciated over 27.5 or 39 years, we are able to depreciate over 1, 3, 5, or 7 years, resulting in higher depreciation amounts and lower taxable profits each year. When you are purchasing a multi- million-dollar apartment building, this accelerated depreciation accounts for very considerable write-offs that, depending on the syndicator you chose, should be passed through to the individual investors. The depreciation can be 20% to 70% of the investor's investment – again, depending on the syndicator. So, if you invest $100,000, then the tax savings could be between $20,000 and $70,000. WOW – that is really incredible! Do your stocks do that for you?

Accelerated depreciation considers the time value of money. A dollar written off today is more valuable than it would be 27.5 years from now.

The interest paid to service mortgage debt on a rental investment is 100% deductible. The real estate syndication passes this write-off benefit to the investors.

As you begin to implement more sophisticated strategies of investing – those that only 1% of people routinely, legally, and fairly use – be aware that your current CPA might but likely won't be familiar with these strategies or the many benefits that they offer. So, I recommend that you be open to changing to a CPA who commonly and consistently works with wealthy investors and business owners, and one who engages in tax planning services, not solely tax preparation. In order to maximize the tax benefits, be sure that you, as an investor, have a well-vetted tax professional who can help you take advantage of these strategies.

NOTE:
I am not a tax professional.
You should consult a CPA for your situation.

What are the drawbacks of a real-estate syndication?

The first drawback is that your invested funds are frozen. This means that they are no longer liquid (available to be quickly returned to you). It's tied up for the length of the deal which is typically three to five years. I would argue that this isn't really a bad thing when you consider the above average and consistent compounding return it is going to provide. And compare this to a 20- to 30-year rollercoaster ride that a 401(k) provides.

Another drawback is lack of control over the deal because you are investing as a limited partner. Make every effort to avoid issues that could arise from this lack by working with an experienced, professional team of sponsors that has a deep, broad, proven, and successful track record. It is imperative that you trust that your team will make the most of your investment.

Another challenge of real estate syndications is that the fees can be more difficult to understand than with other real estate investments. But in reality, that is the case only if you choose the wrong operator. The professional team that I work with makes fee structures completely transparent. All of our reported projected returns are net returns, which includes fees. This is the opposite of how things are typically done in the stock market where gross projections are presented in the prospectus and then fees are deducted.

Again, I will say that it's essential that you, as a passive investor, put in the time to vet the right operator before jumping into the deal. And, truthfully, once you understand the terminology and know what you are looking for, most investors work with one sponsor, maybe two, because each operator will have three to five deals a year, and that is sufficient deal flow for most investors. So, once you do the upfront work to vet these operators you can invest with them year after year.

FAQs from my first-time investors:
How is a syndication different from a REIT?
(Real Estate Investment Trust)

I hope that this chapter has helped you to understand that a real estate syndication is a professional, well-experienced operator with passive investors who, as a group, purchase commercial real estate assets – in our case, apartment buildings.

Each passive investor actually owns a percentage of the apartment building and, as such, receives their share of all monthly cash flow as well as their share of annual depreciation and its related tax benefits. All of this without any of the responsibilities! Whereas an REIT is a company that acquires income-producing real estate assets. The enormous difference is that the investors do not own the real estate. Instead, they buy stock in the company and are issued shares. This means that investors do not receive all of the benefits of a syndication; specifically, tax benefits. The major attraction of REITs, for some people, is their liquidity. Ironically, the major drawback, for other people, is their liquidity! REITs are sold on the stock market, just like any stock investment, so the price can vary widely from one month to the next, making the timing of a sale – should one choose to sell – critical.

Overall, the syndication has better, more stable returns. This is because the illiquidity of privately held real estate forces investors to hold and preserve their real estate portfolio values in a bear market or when a current economic event tempts them to sell off. REIT stocks are subject to this price volatility because investors can easily sell off in a panic and move on to the next shiny object. As a result, returns are MUCH lower on REITs than on real estate syndications. This fact requires total commitment to the duration of a real estate syndication investment; therefore, real estate syndications are not for everyone.

Can I invest in a syndication through my IRA 401(k) account?

That depends. I speak to many investors on a daily basis who are frustrated that their retirement accounts aren't performing and fear that they are not protected from market volatility and rising inflation. They wish they could diversify into real estate, but all of their funds are trapped in their employer's 401(k) or their financial planner's IRA until they are 59-1/2 years old – unless they're willing to pay the 10% penalty. Additionally, they are too busy or not willing to become landlords.

What is little known by the middle class but highly exploited by the wealthy (as we saw in chapter 6) is that this is simply not the case. While you're not able to spend the funds in retirement accounts before age 59-1/2 without current penalties, you can roll those funds into a self-directed IRA or 401(k) plan and use them to invest in real estate syndications.

This is actually a simple process: Identify a self-directed IRA company, and they'll prepare the required rollover documentation for your signature. These companies are known as "custodians," and they are extremely helpful in identifying which type of self- directed account is best for you.

If an investor doesn't have a custodian in mind and their current plan administrator doesn't offer self-directed options, then I recommend seeking a referral, and I'm happy to provide a few.

Why isn't everyone investing
in real estate syndications?
I've never heard of them.

Middle class Americans aren't aware of these options because their employer's 401(k) representatives provide only retirement plans with a limited menu of traditional investments, such as, bonds, mutual funds, index funds, stocks, etc.
Even if the investor has sought professional advice, they are typically informed of only similar types of investment products – mostly in the stock market – which allow the financial institutions or investment professionals to collect commissions and fees.

In conclusion, a real-estate syndication is a concept that has been around forever. If structured and executed properly, then real estate syndications can benefit all parties involved and allow individual investors to participate passively at lower minimums and tap into the expertise and success of their chosen professional team.

Mind blowing information so far. Next up, let's look at a different wealth strategy that you likely have never heard about that some have rightly referred to as "income insurance." Read on for more on that

Chapter Eight

> **"I may take risks in life,**
> **but I will never risk my money,**
> **I use annuities, and I never have to worry**
> **about my money."**
> **— Babe Rush,**
> **(who invested !00% of his money in annuities.)**

Myth # 8
Annuities Are The Worst.

Guaranteed lifetime income can make or break the type of lifestyle you have in retirement. It can mean living where you want to live and doing what you want to do versus constantly worrying about spending too much money and, eventually, running out of it.

I pointed out earlier in this book that I find it interesting that our society is taught to accumulate money for retirement. This is supported by the financial planners who estimate how much you need to accumulate before you can retire. They call it your "magic number." But what they don't understand is that wealth accumulation is just a small part of the overall equation. The problem is that there is not much guidance in what you need to do with this accumulated wealth when you hit retirement. The real goal should be to convert those funds into ongoing income for your retirement. Unfortunately, most financial companies have not placed a great deal of focus on that stage. Distributing assets to ensure that you get the most out of your retirement without running out of money is a difficult balancing act. And it should be taken more seriously than the accumulation phase.

In 2012, TIME magazine published an article titled Lifetime Income Stream Key to Retirement Happiness. The journalist wrote that the happiest people were those who had sources of guaranteed lifetime income. He concluded, "securing at least a base level of lifetime income should be every retiree's priority - at least if they want to live happily ever after."

This makes sense intuitively. Let's think back to Chapter 1 about scarcity and abundance when you have a large bucket of money that is supposed to last forever. Think of the mind-set that this puts you in. For every purchase, every bill that increases, the pot of money is getting smaller and smaller.
In addition, it doesn't help that there is no consensus about how much you should be taking out of your pot of wealth. In 2008, MetLife did a study stating that 43% of Baby Boomers believe that they can withdraw 10% or more per year from their savings once they have retired. That is not the case. They will quickly run out of money during their retirement. So, what is safe? Morningstar, an independent analysis firm, says that the accurate number is 2.8 percent. That means that if you want $28,000 of annual retirement income, then you need $1,000,000 in retirement funds! In 2007, the Wall Street Journal published an article stating that the bulletproof withdrawal rate for a

diversified portfolio is 2.0 percent.

There are several sources of guaranteed lifetime retirement income: Social Security benefits, pension benefits, and annuity payouts. I'm pretty certain that after reading chapter 10 of my book, Social Security Benefits, that that source is not something that you want to put all of your hope into receiving. And if you are like the majority of workers out there, then a pension is not in the cards for you. So that leaves annuities.

Annuities are products that are surrounded by much misinformation. If you Google "annuities," then will surely find many articles stating that they are terrible investments, and that a strategy of stocks and bonds is a better approach. Of course, you need to look into who authors these articles. The author in this case was a financial advisor who was ready to sell you his expert stock picks for a fee. I hope that you learned from prior chapters that active management is not effective at consistently "beating the market." Their results are inferior to using a simple index which has fees that are hundreds to thousands of percentage points cheaper with better performance.

So, does everyone think that annuities are the worst?

In my experience, ABSOLUTELY NOT!

The wealthy use these products as a key component of their wealth-building strategy. In particular, did you know that the former Federal Reserve Chairman, Ben Bernanke, who was thought at one time to be the most influential man in finance, uses annuities in his personal financial plan? Bernanke had to disclose his finances before being appointed to this position, and quite surprisingly, the disclosure indicated that he held relatively few stocks and bonds. Annuities made up his second largest holdings. This is another notable example of the wealthy and powerful taking much different actions involving their finances than what the masses are pushed into daily.

So, are annuities the best thing or just a good deal for insurance companies and the brokers selling them? The answer…it depends on the type of annuity and the fees that the insurance company charges.

But before we get into that let's break this down to a simple question.

For exactly what are you investing?
What are your goals?

I get the following responses from my clients:

- **Returns**
- **Growth**

- **Assets**
- **Freedom**

Rarely do I hear the answer that matters most…

- **INCOME!**

We all need income that we can count on – income that shows up in our account every single month like clockwork. The proper balance of income and expenses is freedom. The wealthy investors who I work with know that their assets – stocks, bonds, crypto, etc. – will always go up and down in value, but you cannot spend "assets." You can only spend income/cash flow.

Now, in the previous chapter, I made you aware of a strategy to get reliable income/cash flow and amazing tax benefits from commercial real estate managed by professionals or syndications. That makes sense to a lot of people but let me talk about a financial vehicle that can be used for locking down income.

It happens to be the ONLY financial vehicle on the planet that can give you the following: 100% guarantee on your deposits.

Upside without the downside.

So, if the market goes up, then you will participate in a portion of the gains. And if the market goes down, then you do not lose a penny.

Tax deferral on growth when qualified money is deposited.
No annual management fees!

Guaranteed lifetime income stream where YOU have the control and get to decide when to turn it on

Income payments can be tax-free if set up correctly.

Yes, this is an annuity. I like to call it "income insurance" or "today's pension" because it is a guaranteed method to know for certain that you will have a paycheck for the rest of your life without having to work for it in the future, ensuring that you will never run out of money.

Annuities are a financial vehicle that has stood the test of time. Now, not all annuities are created equally. There are many types of annuities each with its own unique benefits and drawbacks. Some annuities are "The Worst." But to lump all annuities into a category is to disregard the only financial tool that has stood the test of time for over 2,000 years.

Yes, that is right. The first lifetime annuities date back more than 2,000 years to the Roman Empire. That is amazing! Back then, citizens and soldiers would deposit money into a pool. Those who lived the longest would get increasing income payments as their neighbors and cohorts passed on. Fun fact: The Latin word "annua" is the source of our word "annual" because the Romans received their payments annually; hence, the word "annuity."

Annuities have stayed pretty much the same until relatively recently. The basic annuity is a simple contract between you and an insurance company. You give them your money, and they promise you a guaranteed income (a return on your money). After you pay an initial premium – most often a lump sum – you get to decide when to start receiving income payments – typically monthly, quarterly, semi-annually, or annually. The longer you wait the higher your income payments will be. Prior to purchasing the annuity, you will be provided with a schedule reflecting the exact future payments, so there is no guessing.

Over the last 50 years, annuities have evolved into many types compared to those of Roman Times. It's safe to say that there are poor products as well as excellent products from which to choose.

So, what should you avoid? Variable annuities.

$120 billion worth of variable annuities were sold in 2021. They are the commission favorite of many large brokerage firms. So, what is a variable annuity? It is an insurance contract where all of the underlying deposits are invested in mutual funds. Yes, the same mutual funds that I discussed earlier in this book that underperform the market and charge crazy-high fees. But this

time, the Annuitant is buying them inside of an annuity.
Why would anyone want to do that? Well, the financial planner argues that annuity products have special tax benefits that allow the money inside to grow tax deferred, and this can be pitched as an extremely attractive alternative once you have maxed out your 401k or IRA.

But the primary drawback of this product is its cost. In addition to paying excessive fees for underperforming mutual funds, there are fees for the annuity itself. Yikes!

So, let's add them up:
Average mutual fund costs = 3.0%
Mortality and expense = 1.35 average
Administrative cost = .25 average

So, 4.6% or $4,600 of every $100,000 that you deposit is syphoned off as fees. This money comes off the top before you make anything. If you are presented with this as an option, then – run – do not walk away!

Now that you know what to avoid, let's talk about what is worth looking into.

There are two types of annuities:

1) **Immediate**
2) **Deferred**

Immediate Annuities

Immediate annuities are also referred to as Single Premium Immediate Annuities (SPIAs). This is best used for retirement age or beyond. It is an insurance contract funded by a lump-sum payment. The annuitant decides on the frequency and duration of their payouts at the time of purchase. The initial withdrawal can start as early as 30 days later but must be taken within the first year. The annuity's purpose is to provide a steady income stream throughout retirement.

Immediate annuities beat every other potential vehicle for providing a guaranteed income for one reason – a concept called "mortality credits." For hundreds of years, insurance companies have successfully guaranteed lifetime incomes for millions of people because, when a large number of people buy an immediate annuity, some of them will die sooner than others. By pooling the risk, the annuity buyer who lives a long time gets the benefit and those who don't leave some money on the table.

Before you turn your nose up on that, let's look at the power of a properly structured annuity.

I have been in the insurance and financial services industry most of my adult life. I have a client who came to me ready to retire. He had just turned 65 and had managed to save $600,000. He needed a secure income stream and was tired of taking risks in the market. His stockbroker had him 100% in the market in 2008, and he lost almost 50% of his portfolio. He had lost hundreds of thousands of dollars that had taken him years to accumulate. He had recently gotten back to even and no longer wanted to be in the market and live in fear of running out of money. He wanted income checks to start immediately.

So, I looked at his options.

He could go to a bank and get .45% a year. This would give him $2,700 per year, or $225 per month, in fully taxable income with a $600,000 deposit.

Bonds would pay him 3.07%, or $18,420 before taxes, but the risk would be if interest rates go up or down. If they go up his principal will go down

Lastly, I showed him an immediate lifetime annuity. When he deposits the $600,000 lump sum, he will receive $40,392 per year guaranteed for life!

Do you see the power here?

With any other form of investment, he will almost certainly run out of money if he lives much beyond a male's life expectancy.

However, with an immediate annuity, which is a form of income insurance, he will have an income for life.

The main critics say, “That’s great, but if you die early, then they keep your money.” My response to that is, “That is a lie.” Your cash value is distributed to your heirs, and if you have a spouse who survives you, and if the policy is set up the correct way, then your spouse would continue to receive distributions through the end of their life.

Deferred Annuities

So, I’ve briefly gone over what an immediate annuity does. It provides you with immediate income for life.

The other type of annuity is a deferred annuity. This simply means that you deposit funds into an annuity contract in either a lump sum or over a period of time (typically a short period of time – 12 to 18 months), and instead of receiving an immediate income, your returns are reinvested in a tax-deferred environment so that, when you are ready, you can at will turn on the income stream for the rest of your life. You can literally schedule what your income will be when you are 50, 60 or any age, for that matter, for every year of your life.

There are many types of deferred annuities. So, I am going to talk about my favorite deferred annuity a fixed indexed annuity. You will either deposit a lump sum or pay premiums over several years, and the guaranteed income will kick on much later in life.

What is very cool about this product is that your account value is guaranteed to never go down. No matter what happens, you will not lose your original deposit nor any already-credited interest. Your account growth is determined by tracking the gains of a stock market index such as the S&P 500.

Examples of the three types of "ceilings" that determine how interest is credited:

Cap Rate – The index grows 10%. The insurance company's pre-stated cap rate ("cap" = "up to" that percentage) is 7%. Your account would be credited 7%. If the index grows 5%, then your account would be credited 5%.

Participation Rate ("Par Rate") – This is calculated as the index gain multiplied by the par rate. The index grows 10%. The insurance company's pre-stated par rate is 80%. Your interest credit would be 8%. If the Par Rate is 305% (yes, those rates do exist), then you would be credited 30.5%.
Spread – This comes right off the top of the index growth. If the growth is 10%, and the spread is 1%, then you would be credited 9%. If the spread is 2.5%, then you would be credited 7.5.

A combination of par rates and spreads is somewhat common. Okay, that is great, but what happens if the market goes down 15%, 20%, 30%? That is the beautiful thing about this product. The floor is zero! You will never lose a penny due to market downturns. In this product you get to avoid all of the market's bad years and participate in its up years. One of the greatest benefits of this product is that your GAINS are locked in every year. And that, combined with your principal, becomes the new floor for the upcoming policy year. In other words, you can never lose these gains. For example, say you deposit $100,000 and earn 6% interest. Now you have $106,000 locked in and will never lose it.

I hope I've dispelled the myths around annuities, but that won't stop some financial people from criticizing them. Keep in mind, most financial planners are fee-based professionals; therefore, they may have less of an incentive to sell or even recommend particular products. Their fees are based on the total assets that they manage. Rolling funds into an annuity from an IRA that they manage negatively affects their income. Which brings up another major benefit of annuities – the insurance agent earns a commission, but you don't pay it; the insurance company does. The funny thing is that just by reading this one chapter, you probably know more about annuities than a lot of advisors out there. It's important to remember to follow the money when you hear a really unbalanced argument. And remember, no asset type is for everyone and there are certainly annuities to avoid or even get out of if you own any (especially variable annuities).

I cannot stress enough the importance of a guaranteed lifetime income to your happiness in retirement. Knowing that you will have an income regardless of what happens in the market is going to make you less stressed. That's why it's often referred to as "sleep insurance."

I think you have come a long way! Now you should be beginning to have the mindset of an insider and you are learning about the tools of the 1% that have been secrets for many years; such as real estate syndications, and the huge benefits of correctly structured annuities in which we get all of the upsides of the market with no losses – ever.
Although there are many approaches to achieving financial freedom, I hope you are starting to see the power of owning the knowledge to break through the myths that you have been taught your whole life.

I'm not finished with insurance. Up next – the myths of the insurance companies where I delve into other types of insurance that are used to create wealth.

CHAPTER 9

> "It's viewed as an insider's secret for the affluent:
> A legal way to invest...
> all without paying tases on the gains."
> — New York Times, February 9, 2011

Myth # 9
Life Insurance Policies
Are Useful Only After Death.

In 2014, the Guinness Book of World Records announced that a Mystery Tech Billionaire buys a $201 million life insurance policy.

Many of you are wondering, "Why would a billionaire buy a life insurance policy? Wouldn't his kids be fine if he dies early?" You are missing the point. Believe it or not, the ultra-wealthy buy enormous amounts of life insurance, but it's not the millionaires or billionaires who buy the most. The biggest buyers are banks and large corporations from Walmart to Wells Fargo. Wells Fargo's Balance Sheet shows $18.7 billion of its capital deposited in life insurance cash value.

Corporations and the ultrawealthy are not looking to benefit from anyone's death. What they really want is a place to park their cash in an IRS-sanctioned vehicle that allows them to grow their investments tax free. Does this sound too good to be true? That is the point of this book - to open up these secrets to everyone. The truth is that a properly designed Cash-Value Life Insurance policy is very much like a Roth IRA in terms of tax treatment. You pay taxes when you earn your money but once you deposit your after-tax dollars within this specialized cash-value life insurance policy, the money grows tax free, and your funds are distributed tax free.

But unlike the Roth IRA, no income-eligibility qualifications are required in order to contribute. Currently, single individuals with annual incomes greater than $140,000 and couples with incomes greater than $208,000 cannot contribute to a Roth IRA at all. And if you do qualify, there are limits. You can put away $6,000 per year if you are under the age of 50 and $7,000 per year if you are 50 or older.

So, I am talking about a specific type of cash-value life insurance policy – Indexed Universal Life (IUL). This strategy, to be clear, is not about whether or not you need life insurance. The reason I am taking the time to talk about this is that the strategy doesn't apply only to the super rich, even though, historically, those are the people who have used this strategy almost exclusively. If you are eligible for a Roth IRA and you are contributing the maximum to your 401(k) or IRA, then you might be a great candidate for this strategy.

"But wait, Stephanie – Dave Ramsey and Suze Orman say, 'Buy term and invest the difference.' Ramsey has said that "cash-value life insurance is one of the worst financial products available." Orman put whole life insurance in her top ten list of hated investments because "they literally do nothing for you and do everything, in my opinion, for the financial salesperson that sold them to you."

A dear friend and mentor to me said it best, "The financial advice depends on the audience the financial advisor is targeting." And in that case, when it comes to getting a train wreck back on track, Dave Ramsey and Suze Orman are your people. They both believe in cutting back, in budgeting and sacrificing, in not spending too much. And if the road to wealth is being price conscious and spending less, then term insurance certainly has a lower price tag than cash-value life insurance.

However, this chapter is not for the people who are just trying to get by. I'm interested in introducing you to new concepts that the wealthy use in order for you, the reader, to gain economic independence and security in the long term - actually, for the rest of your life. And, from that perspective, Ramsey and Orman couldn't be more wrong about cash-value life insurance. For that matter, what I'm going to introduce you to is a strategy that MOST insurance agents have never heard of. Or if they have, then they certainly wouldn't know how to properly structure one to fit these wealth-building strategies.

These are sold by a very tiny percentage of very specialized wealth strategists who specialize only in building these policies.

This chapter could be a book in itself and, to be honest, this has been the hardest chapter for me to write because I want to introduce you to, and excite you about, this concept and two of the MANY ways available to use life insurance products to achieve wealth without overwhelming you with the specifics.

These are very specialized products used for wealth building that is almost exclusive to the wealthy.

In my opinion, groups such as busy business owners and highly paid professionals are largely underserved by financial professionals because, in many ways, these groups have never been introduced to these strategies. So, it is highly likely that you will learn something in this chapter that your financial advisor knows nothing about.

What Are The Details of Indexed Universal Life Insurance?

Again, this strategy isn't about whether you do or do not need life insurance. Rather, it is a way to park some of your hard-earned money in an IRS-approved cash-value life insurance policy that allows for tax-free growth and tax-free withdrawals. The policy is structured to maximize growth and minimize expenses, and by doing so, you can overfund the policy by creating a large balance of cash value that will grow. The point is to structure the insurance costs to be very small compared to the cash value. The IRS does have a limit on how much you can deposit each calendar year based on your age and the death benefit, but when structured properly, you can add much, much more into this policy than the current IRA maximum.

What Are The Benefits of Indexed Universal Life insurance?

Indexed Universal Life insurance policies offer higher return potential. These policies leverage call options to gain upside exposure to equity indexes without the risk of losses.

Capital-gains tax applies when you sell an asset or investment for profit. Indexed Universal Life policyholders do not pay capital gains on the increase in cash value over time. This benefit extends to any loans that you may take from the policy against the cash value.

As the policy holder, you may use the tax- and penalty-free cash value at any time. You do not have to wait until age 59-1/2.

Indexed Universal Life provides a death benefit and is passed onto your beneficiary(ies) tax free. In a nutshell, quick and simple access to safe, low-interest, and tax- and penalty-free capital are what make Indexed Universal Life insurance such a powerful tool.

Now, This Is Where It Gets Interesting.

It is a living benefit that can be accessed at any time. You can use cash value by taking out a loan (referred to as a "policy loan"), and you pay it back on your schedule. It is funded by the insurance company's general fund, and your cash value is the collateral. Therefore, the insurance company continues to pay interest into the policy as if the loan never occurred – in other words, on the full cash value of the policy, even though a portion of it is being used as collateral for the loan. The interest rate that the insurance company charges on this loan is very minimal and, without getting into the weeds, you pay a simple-interest loan rate while the cash value on your policy continues to compound, so the policy continues to grow throughout the course of the loan. The only time that the loan must be repaid is when the death benefit is paid. The insurance company will pay your beneficiary(ies) the difference between the death benefit and the loan balance plus accrued interest. Because you use the cash value as a loan, you are not required to report it as income on your tax return, and the death benefit is income-tax free to your beneficiary(ies).

Using your life insurance cash value is very much like a home equity line of credit (HELOC). The main difference between a

HELOC and Indexed Universal Life insurance is that you do not need to apply for the line of credit to be approved in order to use it. Additionally, you pay no origination fees on the loan, and as mentioned above, interest continues to be paid into to your policy ("to yourself") by the insurance company. This means that as you take out money, the policy's performance is not impacted, so you can use the cash value as an incredible funding source for INVESTMENT OPPORTUNITIES.

Generally, you can use up to about 95% of the cash value as a loan, unlike a 401(k) loan that is limited to $50,000 (just one of its many limitations).

When we think about the main sources of stress and risk to our financial security in retirement, three things come to mind – taxation, stock market volatility, and longevity. A properly structured Indexed Universal Life insurance policy allows you to mitigate against all three by creating an income stream for life. This tax-free income will neither push you into a higher tax bracket nor increase the Medicare premiums that are based on income.

This is a solution that the wealthy have been using for years, and recently, many more people are learning how to take advantage of setting up a properly structured Indexed Universal Life insurance policy.

This is a financial vehicle that allows you to borrow at a low-interest rate, safeguards your wealth, grows your money, allows you to have easy access to it, and provides tax-free retirement income.

Premium Financed Life Insurance

This next concept is very specialized and advanced. To put that in perspective, I was an insurance agent for 16 years and had never heard of it. My uncle has been a life and annuity agent for 60 years, so I asked him about this and, funny enough, he hadn't heard of it either.

The concept is called Premium Financed Life Insurance. It is a strategy where you can leverage a bank to purchase life insurance for you. Essentially, this is a loan that is used to buy a life insurance policy. The loan is secured by the cash surrender value of the life insurance policy and is offered by a third-party lender; such as, a private bank or a life-insurance finance company.

Why? Well, I will go back to my real estate background. Most investors understand debt and that real estate for income is an arbitrage between debt and how much rents are generated. As an investor, liquidity can be a limiting factor when trying to start a cash-flowing insurance policy. Real estate investors have run into this problem, and premium financing is the solution.

Why? Because you do not have to pay for the cash-flow insurance. The bank pays for it.

As I mentioned, premium financing is an advanced strategy that works for only the right people. The requirement with premium financing is that one must have assets to pledge for collateral to the bank. But if you are a real estate investor with a large portfolio, then this strategy could be a viable option.

Who Is the Premium Financing Strategy For?

Premium financing is a popular strategy for buying life insurance used by high-net-worth individuals, business owners, and entrepreneurs. By financing the majority of the upfront cost of the life insurance policy, high-net-worth individuals don't have to cash in or sell assets to pay the entire upfront cost of a life insurance policy.
Most businesses have highly valuable key people who are vital to the company, and without them, it would suffer. Therefore, insuring the lives of key people is one way to protect the business. Instead of paying the full cost of insuring several key people, a business can finance the majority of this cost.

Premium financing a policy gives a business the protection it needs while providing the company with a cash-flow efficient method of funding the life policies of owners, executives, and/or essential employees.

How Does Life Insurance Premium Financing Work?

Life insurance premium financing works by allowing you to take a loan to pay for most of the cost, known as the premium, to buy your life insurance policy.

Private banks and premium- financing-life-insurance lenders offer loans to high-net-worth individuals. The individual makes a down payment against the policy premium, and the lender pays the balance.

Most premium-finance lenders offer interest-only loans and/or capital repayment at the end of the loan term. At the end of the initial loan period, a lender may provide you with a new credit facility (a pre-approved loan) based on the cash surrender value of your life policy.

What are the Benefits of Life Insurance Premium Financing?

Let's look at our favorite reasons why premium financing a life policy makes sense. Here is a step-by-step guide showing you exactly why you should use leverage to buy your life policy if you can qualify for financing the premium:

#1 Leverage

Simply put, it's using other people's money to increase the investment returns of your life policy. This may sound high risk, but if you're a homeowner, then chances are, you're already using leverage by having a mortgage against your home, and this is a similar concept to fund your life insurance policy for more cash growth.

#2 Keep your Cash Invested

Investments like property, shares, and bonds have medium to long-term investment horizons. Selling those assets to buy a life insurance policy often doesn't make sense. But a high-net-worth individual doesn't have to cash in these assets and lose the potential for higher investment returns. They can keep their cash invested and premium finance their life policy instead.

By borrowing the majority of the upfront life insurance premium from a lender, your assets can stay invested, and you still get to buy your life insurance policy and the coverage that it provides.

Examples:

If the upfront life policy costs $1M, then you would typically have to find the $1M to pay for it. But not with premium financing for life insurance.

A $1M premium may cost you only $100,000 to $200,000 (depending upon age, gender, where you live, etc.). Better yet, you would have 10 to 15 years to pay the $100k to $200k premium.

That means that the $800,000 that you didn't spend buying your life policy stays invested and potentially earning higher returns than the cost of the interest you are paying on your premium finance loan.

Let's put that in perspective. What if you could buy a $1M commercial building, finance 80% to 90% of it, and you would have 10 to 15 years to make the down payment, all the while enjoying the cash flow, appreciation, and tax benefits of the investment.

Sign Me Up!

By using premium financing, your life insurance policy can achieve this level of return because you are borrowing to invest. You are leveraging. The expectation is that the growth in the life policy will be higher than your borrowing costs, meaning you will increase your investment returns.

WRONG!

Now let's take a look at this example:

Buying a Life Insurance Policy with Premium Finance
Using our example from earlier, if the life insurance policy you want to buy costs $1M, but you need to put down only 20%, then the plan will cost you only $200,000.

But even though you have put down only $200,000, you now have a life insurance policy with an investment value of $1M. You merely borrowed the rest of the money.
Now, assuming the $1M invested in your life insurance policy grows by 5% in a year, your plan will be worth $1,050,000 after the first policy year, giving you investment growth of $50,000.

Pretty Good!

Buying a Life Insurance Policy Without Premium Finance

You invest $200,000 in a life insurance policy. It has an investment value of $200,000 because you did not take advantage of leveraging through premium financing.

The $200,000 you invested grows by 5% in a year. Your policy will be worth $210,000 after the first policy year, giving you an investment return of $10,000.

Let's compare the $10,000 return to the $50,000 return you could make if you premium financed your life policy. Obviously, premium financing brings a 5x higher investment return. That's the benefit of leveraging your life insurance.

It Gets Better!

#3 Maximizing Coverage

Maximizing the amount of life coverage you take out is important. The earlier you buy life insurance the cheaper it will be. Fact: Most households don't have enough life insurance coverage.

But how do you get the life coverage you need WITHOUT paying for it all upfront? Premium financing allows you to buy far higher levels of life coverage because you are borrowing the money to pay for most of the upfront premium cost.

Here's another example:

Buying Life Coverage Without Premium Finance

With our earlier case, a budget of $200,000 may buy you $600,000 of life coverage. Perhaps that's enough, but perhaps not.

Buying Life Coverage With Premium Finance

You invest $200,000 and finance the remaining $800,000, giving you total life coverage purchasing power of $1M.

By borrowing, you can afford to buy $3M of life coverage. That's 5x the life coverage by financing your premium (5 x $600,000).

That's An Extra $2.4M of Life Insurance Coverage.

That's a massive increase in coverage and likely to be closer to what you want, or need, to protect your family or business partners as your wealth grows.

#4 Tax-free Income

There are many ways to set up these policies, but we can structure a policy that targets a specific amount of future tax-free income; for example, from the ages of 65 to 90. We can solve for how much money needs to be contributed into the policy to achieve this and the results are very impressive. That the bank is largely funding this future income makes it that much sweeter.

Do I Qualify?

Cash-Value Life Insurance that mimics the Roth IRA (Indexed Universal Life) has no income or net-worth qualification requirements. However, in order to qualify for Premium Financed Life Insurance, you must be an "accredited investor," which is defined as an individual with gross annual income exceeding $200k or joint annual income with a spouse exceeding $300k, or an individual whose net worth exceeds $1M, excluding the primary residence.

I am very skilled in this area and have a full understanding of how to set up either of these tax- efficient strategies. Depending on your current tax rate, it could help you achieve your goals much faster and with less risk than you are currently carrying.

Chapter Ten

“Everyone does it, rich and poor alike
and all do right, for nobody owes any public duty
to pay more than the law demands.”
— Billings Learned Hand

“Anyone mya arrange his affairs so that his taxes hsall be as low as possible; he is not bound to choose that pattern which increases on’es taxes. Over and over again the courts have said that there is nothing sinister in so arranging affairs as to keep the taxes as low as pobbible.”
— Billings Learned Hand

“The difference between death and taxes, is death doesn’t get worse every time Congrees meets.”
— Will Rogers

Myth #10
There’s Nothing I CanDo About TheTaxes I’ll Owe In Retirement.

This chapter just might be the most important of this entire book. I am going to introduce the concept of Tax-Treatment Diversification. Perhaps you know about the concept of Asset- Allocation Diversification, but most people have never heard of Tax-Treatment Diversification.

There are four types and I was taught to picture them as buckets:

- Bucket #1 – taxable
- Bucket #2 – tax-favored / tax-advantaged
- Bucket #3 – tax deferred
- Bucket #4 – tax free

Let's dig deeper to see what each bucket holds.

Bucket #1 – taxable

Non-qualified money in an investment that requires you to pay taxes on the account's growth each and every year. Included in this bucket are money markets, CD's, stocks, bonds, and mutual funds.

Bucket #2 – tax favored / tax advantaged

Tax advantaged accounts are different in that they give you some say as to when you pay taxes on your gains and/or you have strategies to discount your tax liability. Real estate is a notable example of that idea. There are many tax-advantaged strategies that lower your tax liability just by owning real estate; such as, cost segregation, depreciation, and 1031 exchanges that defer the taxes until a later time.

Bucket #3 – tax deferred

This bucket is the one that most people are familiar with because they have been contributing to its default investment – 401(k) – for their entire working life. Your contributions are tax deductible, and when you reach age 59-1/2, you can begin taking penalty-free distributions, which are taxed as ordinary income. What most people fail to realize is that when you contribute money into a tax- deferred account, it is like going into a partnership with the IRS.

The challenge is that you never really know how much money you have in your account because, unless you can predict what tax rates will be in the future year that you have a distribution, you have no idea how much money you actually have.

Most people fail to stop and consider what they believe about future tax rates. If you believe that tax rates in the future are going to be lower than they are today, then you should contribute as much money as you possibly can into tax-deferred investments. But if you believe that tax rates in the future will be higher than they are today by even 1%, then, mathematically, you are better off limiting your contributions to this bucket.

Bucket #4 – tax free

If you are like most people, then you have the majority of your money in buckets 1 and 3 – taxable and tax deferred. Some of you may have real estate assets in bucket number 2 and are perhaps even using more advanced tax strategies like accelerated depreciation to greatly reduce taxes, or 1031 exchanges to delay capital gains.

The 4th bucket is somewhat unknown and, therefore, quite underutilized. And, not surprisingly, used more often than not by the wealthy and ultra-wealthy.

Once this money is in the vehicle, it grows tax free, and money distributed is tax free and can't be counted as provisional income. Provisional income is an IRS threshold above which Social Security income is taxable. The IRS tracks this to determine the percentage of your Social Security that will be taxed. Yes, Social Security can be taxed. Anyone who is aspiring to lower their tax rates in retirement should know the most common sources of provisional income:

Up to 85% of your Social Security income

- Any distributions taken out of your tax deferred bucket
- Any 1099 or interest generated from your taxable bucket investments
- Any employment income
- Any rental income
- Interest from municipal bonds

So, the IRS adds up all of your provisional income, and that and your marital status will determine what percentage of your Social Security will be taxed. Up to 50% of benefits are taxable when provisional income is between $32,000 and $44,000 for married couples filing jointly. If provisional income is more than $44,000, then up to 85% of Social Security benefits are taxable.

"Well," you might think, "I was never counting on Social Security in my retirement." And that may be true; however, you must still have a strategy in place that plans for what tax treatment your hard- earned money will get in retirement. And as the Will Rogers quote at the beginning of this chapter implies, taxes can be changed dramatically by the government. Especially a government that is in such deep debt. "But wait, tax rates couldn't possibly go higher, could they?" Well, let's look at the historical record of tax rates that might surprise you.

In the prior chapters, we talked about how fees eat into your nest egg, and you should now know that it's not what you earn that matters; it's what you keep. I believe that taxes are an even bigger threat to your retirement than fees. Over the course of a lifetime, the average American hands over more than half of their income to taxes: income taxes, property taxes, sales tax, and so on. According to what many experts currently say, that's 54.25 cents per dollar. Becoming more tax efficient is one way to get back some of that 54% that you've given away. The more of your money you keep the more money you could invest and compound to achieve your goals. I have learned from the wealthy investors who I work with that tax efficiency and tax-treatment diversification are the most direct pathways to shorten the time it takes to get where you are now to where you want to be financially.

So, what investments qualify as tax-free investments?

1. The Roth IRA, Roth 401(k)

We talked about these in Chapter 5. To briefly recap, this is after-tax contributions that grow tax free, and distributions are tax free. There are some income and contribution minimums.

2. Health Savings Account

If your employer offers a health savings account, then it can be a powerful investment tool. You make contributions to a Health Savings Account with pre- tax dollars, the earnings grow tax free, and if you use your Health Savings Account dollars for eligible health care expenses, then your withdrawals are also tax free. If you are 65 years or older and still have unused Health Savings Account dollars, then you can use the money in the account for non-medical expenses without penalty. The 2022 contribution limits are $3,650 for individuals and $7,300 for families. Those aged 55 and older can contribute an additional $1,000 per year.

3. Life Insurance

This is where traditional financial planners really drop the ball. They are so concerned with deferring your taxes until retirement that they leave you in a bad spot. The financial planners are fixated on a pre- tax perspective. After-tax investment value seems to be an afterthought. Life insurance has no funding limits, withdrawal requirements, or restrictions, as does a traditional account. If you haven't looked into this, then I strongly suggest that you do so. Get connected to the right person to learn whether or not you qualify, and if you do, then this can be a game changer to help keep your nest egg tax free. This could allow you to achieve your financial goals up to 25% to 50% faster without taking much investment risk.

There are also tax-free Municipal Bonds, tax-free Exchange Traded Funds, and 529 Education Funds. But if you are looking to contribute/expand your tax-free bucket, then the best three options are those listed above.

An important thing for you to evaluate is your financial planner performing active tax-managed investing. "Wait, what is that you say?" Active tax-managed investing is an investment approach aimed at minimizing taxes and maximizing after-tax wealth. This is done by targeting sources that may erode investment returns while helping you keep more of what you earn. Ideally, your financial planner and your CPA are working together to develop your strategy.

Unfortunately, what I see many times when working with high- earning professionals, high-net-worth individuals, and business owners is that their financial planner and their CPA do not communicate, so there is no plan.

Not to be Debbie Downer, but I have to point out that your financial planner, as much as you like them, is not being compensated to help you with a tax strategy. In addition, most CPAs are only concerned with working backwards. In other words, they are looking at the last year, and few busy CPA's want to sit and talk about the future and what sort of plan should be in force to mitigate your future taxes.

All too often, the investor, financial planner, and CPA rest on the falsehoods that you needn't worry, because it is okay to have all of your retirement savings in the tax-deferred bucket so that, in retirement, you will be in a much lower income tax bracket than you were during your working years. And yes, I'm sure that most of us have heard this, but I hope that this book motivates you to begin questioning these previously held thoughts.

The reality is that the federal government has an enormous national debt with hugely underfunded liabilities in Social Security and Medicare due to changing demographics that I will review later in this chapter.

Additionally, and are you aware that tax rates for the last 20 years have been at historically low (yes, that is correct – low) levels? Low tax rates and big deficits are a terrible combination that is driving our national debt to catastrophically elevated levels. In order to eliminate all of this debt, the government will have to raise more revenue. And how will that happen? By raising taxes, of course.

An equally concerning point that you never hear based on this argument is the true fact that all of the deductions that you experienced during your working years disappear when you most need them - in retirement.

Mortgage interest: This is the number one source of deductions during your working years. The problem is that most retirees have paid off their homes, so this deduction ceases to exist in retirement.

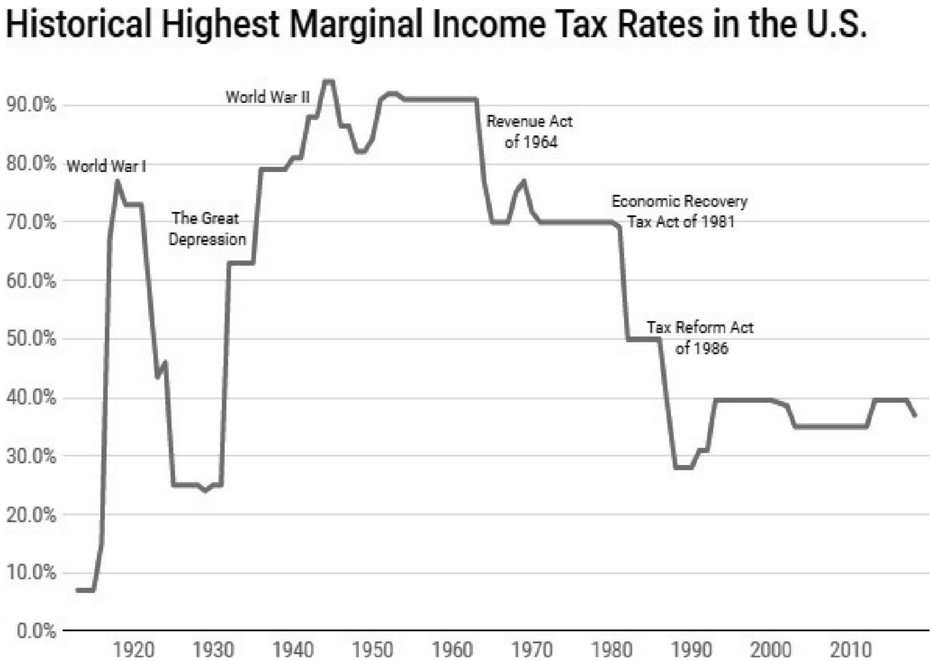
Your children: Your children count as an exemption and a credit, and they are a huge source of deductions. When you are retired, your children will, as most would hope, no longer live with you; but if they do, then they will be too old to be considered dependents.

Retirement plan contributions: You are no longer contributing to your 401(k) in retirement.

So, in your retirement years, in all likelihood, you will be absent from any deductions. Deductions are paramount to reducing taxes. Even if tax rates stay the same, by losing these deductions, you will likely end up in a higher income tax bracket in retirement than you were in your working years. Most people come to this realization too late – when they are retired and realize that their financial planner didn't prepare them or guide them toward any other tax- advantaged alternatives because they were concerned with earning a commission on your invested assets. I don't want you to be in that boat.

So let me briefly tackle this possibility of higher future tax rates and our unfunded liability problem to mentally prepare you for why you MUST have a tax-free bucket in retirement. I'll also address why tax-treatment diversification planning is so important. Take a look at this table.

I know this doesn't seem quite right, but it is. A study of the history of taxes in the U.S. lends a bit of perspective. Over the last 100 years, tax rates in our country have been a roller coaster. When the government first began taxing income in 1913, it was at a rate of 1%. It increased rapidly from there. By 1943, the highest marginal rate was 94%. By the 1970's, things had improved but not by much.



Americans were still paying as much as 70%. Fast forward to today when the highest income tier on which the wealthiest Americans pay taxes is 39.6%.

It is truly shocking to realize that taxes haven't been this low in nearly 80 years. This is interesting because I often ask people, "How high are taxes today?" They typically reply that they believe taxes to be as high as they have ever been. The truth is that taxes are just about as low as they have ever been. The better questions are, "How long can these low rates last?" and, "What are you doing to minimize your tax rates in the future?"

Just for "fun," go to usdebtclock.org where you will see the national debt. Then look toward the bottom right corner to see U.S. Unfunded Liabilities. You'll see Social Security and Medicare listed, and at the time of this writing, those two debts were $22 trillion and $34 trillion, respectively, and the total U.S. Unfunded Liability was $172 trillion, or $517,429 per citizen. To be clear, this means that these debts do not have the necessary funding to continue the benefits. The unfunded costs of these two entitlement programs alone dwarf the federal debt.

To make this even more interesting, let's talk further about one of these unfunded liabilities – Social Security. Shortly after Social Security began in 1945, there were 41.9 – let's say 42 – workers per retiree. Any guess as to where that number is today? How about 2.8 workers to every retiree. So, I don't feel out of line by saying that these programs are unquestionably unsustainable.

I don't mean to bring you down, but this is the reality of our situation – one for which politicians continue to blame on each other while doing absolutely nothing to improve it but instead make our problems worse. The U.S. government runs this absolute mess of their finances while we American citizens must prepare our finances for whatever fallout their mess will create in the future. All of this boils down to two words - Future Taxes. Deciding whether to contribute to your tax-deferred bucket depends entirely on what you think about the future of tax rates. Because it is so important, this previous statement of mine bears repeating: If you believe that future tax rates will be higher by even 1%, then, mathematically, you are better off limiting your contributions that go into this bucket.

If you do not have a tax-free bucket, then you really need to think of a strategy to implement this in your retirement planning.

Next up, I will pull all of this together for you.

As you'll discover,
there is only one real barrier
to financial success.

You!

Chapter Eleven

> “Money is only a tool.
> “It will take you wherever you wish, but it will not replace you as the driver.”
> — Ayn Rand

Just Do It!

Congratulations for making it through this book!

Even though I have spent a lot of time picking apart specific money myths, the purpose of this book is not to identify every financial myth that exists. The purpose is to get us to stop and think about the advice we hear instead of blindly believing it, going with the herd, and assuming that everyone must be right if everyone is doing it.

I want you to analyze things more deeply and realize that there are consequences of the financial decisions we make. We need to take ownership of our money and investments. To accomplish this, I needed to identify and expose some of the myths that I’ve found to be the most destructive. Again, I have not addressed every myth; there are many more that need to be identified and overcome. My purpose has been to show how much misinformation exists about wealth so that you can become educated about your approach to finances.

Chapter 11

My main reason for authoring this book was to help you, the reader, understand, insulate, and protect your hard-earned assets from unnecessary fees, but more importantly, to become aware of the taxes that will hit you like a freight train when you retire. The best way to avoid this is by having a good portion of your assets in the tax-free bucket.

On this journey, we've gone over a lot.

In Chapters 1 and 2, I talked about money mindset and how to get in the right place to realize that money is abundant, it's all around us, and it needs to be used by you now instead of being stuck in a vehicle that won't allow you to use it or even know, let alone understand, what you are investing in.

Chapters 3 and 4 brought us the facts about how much the "experts" really know and the sad facts of their inability to beat the market in any meaningful way. I discussed the fees and how they are eating away at your bottom line by much more than you have likely ever realized.

I devoted Chapters 5 and 6 to discussing the 401(k) lie in much detail and delved into and debunked the myth that you need to take high risks to receive high returns for your hard-earned money.

In Chapters 7, 8 and 9, I introduced some very powerful ways in which you can put your money to work in ways that will outperform, many times over, what you are currently doing with your money. You are able to do this with much less risk and much more control than you have had in the past.

Finally in Chapter 10, I discussed the tax issue and why it is vitally important to have a tax-free source for your retirement income.

And here we are at the end. So, what do we do from here?

You have already taken the first step, which was to read this book, become aware of these myths, identify them, and most importantly, realize that you need to take action to overcome them.

JUST DO IT!

That's where I come in. It has become my life's passion to teach the hard-working professional and business owner to "unlearn" some of what most of us have been wired to think about money. I re- educate people to learn the secrets of how the wealthy view money and the investment concepts that they apply to achieve their financial goals.

Because these strategies are not well known, it can be difficult, if not impossible, for some people to create a tax-free bucket of money for their retirement without the help of someone who has been down that road before. You need a qualified wealth strategist who has the experience and knowledge that will set them apart from the average financial planner. As I discussed several times in this book, most traditional financial advisors are committed to the tax- deferred approach to retirement planning. In order to create a meaningful tax-free retirement plan, an advisor must be familiar with all of the pitfalls of the traditional tax-deferred investing strategy and be well versed in maximizing those that will provide you with the most tax-free benefits.

So, the next step is action. Because even if you intellectually agree with everything that I have outlined in this book, that will not make a tangible difference in your life. The most important question is, “Are you going to believe with action?” Which means making an appointment with me. I can properly evaluate your specific situation. But even outside of this, it means that you check out these concepts for yourself. Do your own research. Don’t let ignorance and opinions of others scare you away from what it will take to get you moving toward building and accelerating your wealth and financial freedom.

Be a person who thinks for themself.
Make your decisions based on fact, not simply the opinions of the masses, which are usually incorrect. Also don’t just take my word for it either. I really want you to give these concepts a fair look, run the numbers, and then decide if this is the right fit for you.

The solution is waiting, but for only those who take action.

It is my hope that this book has reenergized your thoughts about your financial future, changed the way you think about money, and helped you to realize that not addressing your taxes with a plan is a HUGE mistake. But most of all, I hope that I have shown you that you can succeed in turning this around. It really is never too late. But ultimately this is all up to you. You hold the key to your own financial future.

Let's start with a discussion.

You can contact me via calendly.com/erbewealth or simply send an email, as I would love to hear your feedback on my book. skw@erbewealth.com

About the Author
Stephanie Walter

ERBE WEALTH
Protect - Grow - Preserve

Stephanie Walter is a wealth strategist, capital raiser, syndicator, real estate investor, and the CEO of ERBE Wealth. Prior to founding her investment group, Stephanie followed her dream of being an entrepreneur and started her own insurance agency. Her business was one of the largest, most highly awarded agencies in Colorado. She recently retired and sold her insurance agency of 16 years by following the key principles she now teaches professionals to use.

Over years of working with her investors, Stephanie discovered that the very wealthy view and use money differently than the rest of us. They actively have their money working for them – often in several ways at the same time! Stephanie realized that these strategies can be used by anyone, not just the rich. Her passion is teaching people to “unlearn” what most of us have been wired to think about money and re-educating people on attaining wealth that can be passed down for generations to come.

Stephanie has personally helped hundreds of business owners, busy professionals, and the wealthy to keep more of their income and to generate more cash flow using the tools once available to only the very elite. She has strategies and methods of maximizing opportunities – such as, investing in real estate and buying businesses – but more importantly, earning stable, passive cash flow during economic crises while avoiding any stock market volatility.

Stephanie has dedicated her career to demystifying the many widely accepted money myths that undermine the prosperity and joy of millions of hard working, honest business owners and professionals. Stephanie has a mission to continually impact the lives of others.

Stephanie's goal is to connect her select group of investors with investment opportunities that she has found and vetted to be extremely desirable. And at the end of the day, she's really looking to help her investors reach their financial goals.

Notes:

SHATTERING MONEY MYTHS

By Stephanie Walter

Achieving financial freedom isn't complicated once you recognize the most popular financial strategies that everyone uses are pervasive myths. What if, by exposing these myths as untrue and dangerous and then seeing the truth, you could become far wealthier, much sooner than you could have ever imagined.

In This Book You Will Learn…

✓…how to put together a simple actionable plan that will deliver financial freedom.

✓…learn how the wealthy create tax-free retirement income.

✓…the notion that "high risk equals high returns" is completely false.

✓…that a 401K and the stock market are extremely risky investments for most people. I'll show you a few simple steps that generate additional income that your 401K providers doesn't want you to know about.

✓…how to invest in real estate deals like the wealthy, big banks and insurance companies do where you are a truly passive investor who consistently receives double digit returns and amazing tax benefits.

✓…about the history of tax rates and recognize the looming, massive tax rates that will be coming to your retirement income.

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