Mission:

Vision:

Values:

Money gives us the feeling of empowerment, of freedom, of security, of helping those we love and those in need, of having a choice and of feeling alive. Can't we find these things elsewhere? Yes, so is it really money that we're after or a state of being? Right, it's a state of being. Well I'm going to share with you, the money plan of those who have accomplished that not only for themselves but millions of others too. And share with you how you can do it too. This course is based on the book Money: Master The Game, by Tony Robbins.

Now, you may be thinking, I don't have a penny to save or you may already have investments but stick with me and I assure you there's something in this course for you too.

What amount of money do you think it would take for you to live your dream life? $________

How long do you think it will take you to get there? ___________

Wow, that's a long time. What if I said I knew away to get you there faster? Would you want to hear it? Yes, I thought so. The secret to growing wealth is compounding.

Say you have one dollar, and somehow you're able to double it every year for 20 years.

After year one, you've doubled your dollar to $2
Year two: $4
Year three: $8
Year four: $16
Year five: $32
In 20 years, just two short decades, that same dollar turns into $1,048,576. Makes you wish you had started 20 years ago huh? If only we knew then what we know now.

But as you probably can assume, the money game is not that easy. The taxman is always looking for his cut and he wants to be paid first. If the tax-free number is $1,048,576 and you're lucky enough to only be taxed 33%, you would net a whopping $28,000. That's right a difference of over $1 million – and that doesn't even account for state taxes! This scenario illustrates 2 things: 1. Returns you'll never see in the real world and 2. The impact of neglect when we don't consider taxes in our financial planning.

Complexity is the enemy of execution, that's why I'm going to make this as simple for everyone as possible. We're going to start by downloading an app on our smartphones. Everyone know how to do that right? Go to www.tonyrobbins.com/masterthegame to download it. That's all for now, we'll come back to the app a little later.
The cool thing about what we're doing here today, setting up your financial plan, is that once your plan is in place, you'll only have to spend about an hour once or twice a year to make sure you're on course. Think you can commit to that?

The Seven Types of Wealth

Before you take the actual steps toward hitting your target of wealth, as defined by you, review the seven types of wealth, including but not limited to financial wealth, that truly makes life feel rich, abundant, and joyful:

1. **Physical Wealth**—Having the optimal health and energy in your body that makes everything you do possible.
2. **Emotional Wealth**—Where you live emotionally is the quality of your life. If you don't have a great sense of meaning in your life, having lots of money won't do anything for your level of happiness and joy. If you live in the emotions of stress, frustration, overwhelm, and worry, much more than you live with gratitude, love, or a sense of making a difference, then life just isn't as meaningful.
3. **The Wealth of Relationships**—Who loves you? Who do you love? How do you and the ones you care about most treat one another? When you truly love someone, particularly in an intimate relationship, you'll do anything for them. You're in abundance because you're not just trying to get—you're in total giving.
4. **The Wealth of Time**—For most people, even if they have money, time is something that appears scarce. They're doing things that just don't matter to them. When you're really enjoying what you're doing, time seems to disappear, in a good way. When you're not enjoying yourself, time crawls. When it comes down to it, time is an emotion, and it's one of the greatest resources we have.
5. **The Wealth of Work/Career/Mission**—The distinction between the three is simply a matter of enjoyment. When you work, it feels like a task you *have* to do as opposed to *wanting* to do. A career is something you choose to do because you get some level of satisfaction from it, but when you're truly living your mission, something you feel like you were born to do, it makes life more meaningful. Work is no longer work—it becomes more like play.
6. **Financial Wealth**—Money can provide us with resources and a certain level of freedom if used effectively. But in order to create an extraordinary quality of life, you can't make it more important than your body, your emotions, your relationships, your time, and what you do with that time.
7. **The Wealth of Contribution & Celebration**—Progress and happiness comes from growing and giving—getting outside of yourself by adding value to other people's lives. Contribution completes that feeling of being truly alive, but you also have to celebrate life's successes, victories, and all the things to be grateful for.

To reach the goals in life that matter to us most, we have to understand where we are right now on this Mastery Pyramid.

Need to know: True mastery requires three levels.

1. Cognitive understanding: This is your ability to understand the concept. But information by itself is not valuable; it's just the first step.
2. Emotional mastery: This is where you have heard something with enough repetition, and it's stimulated enough feelings inside you – desires, hungers, fears, concerns – that now you become conscious and capable of consistently using what you've learned.
3. Physical mastery: This is where your actions become second nature. That means you don't have to think about what you do, you just do it. The only way to achieve physical mastery is through repetition, for repetition is the true mother of skill.

This course has 5 sections. It follows the 7 simple steps to financial freedom and they are:

1. The First Step
2. Become The Insider – Investing Myths exposed. We will talk about things that negatively affect your portfolio.
3. What's the price of your dreams? – You will create a savings plan that works for you.
4. Investment Decisions – asset allocation
5. Create A Lifetime Income Plan

Watch: How the Economic Machine Works – In Thirty Minutes, by Ray Dalio (www.economicprinciples.org).

Welcome to Marvelous Mind Academy!

Section 1: The First Step

Whatever emotion you're after, whatever vehicle you pursue – building a business, getting married, raising a family, traveling the world – whatever you think your nirvana is, it's only an attempt by your brain to meet one or more of six human needs.

1. Certainty: the need to feel in control and to know what's coming next so we can feel secure
2. Uncertainty: need for variety
3. Significance: need to feel important, special, unique, or needed.
4. Love: the need to connect on a deeper level, it's the oxygen of life.
5. Growth: constant yearning to create something of value to give
6. Contribution: sharing enhances everything you experience; life is really about creating meaning. And meaning doesn't come from what you get, it comes from what you give.

The ultimate goal is to give back. The more we have, the more we give. And before we get rich we need to start giving as if we are rich. For the secret to living is giving.

So what is the most important investment decision of your life? I thought you'd never ask. It's deciding what portion of your paycheck you get to keep. How much will you pay yourself – off the top, before spending a dime on your day-to-day living expenses. $_________/_____%
This amount is to remain untouched no matter what else is going on in your life. Can you commit to this? The goal of this step is to get you off the nine-to-five conveyor belt and walk the path to financial freedom.

Where does this money go? Into your Freedom Fund! How does it get there? Make it automatic! If you haven't already, go to www.tonyrobbins.com/masterthegame. Set automatic reminders to capture your commitments and make sure you implement your new plan. The app will guide you through the following steps:

- If you get a regular paycheck, you'll most likely be able to set up an automated plan with a call to the human resources department, instructing it to send a specific percentage of your paycheck – that you choose – directly to your retirement account.
- If you already have automatic deduction going into your 401(k), you can increase the amount to the percentage you've chosen.
- If you're self-employed, or if you own your own business or work on commission set up an automatic transfer from your checking account.

No retirement account, STOP! Go online and open up a savings or retirement account with a bank or financial institution. Check out www.tdameritrade.com or www.schwab.com or use the app to find one that's a good fit for you.

What happens to the money inside of my Freedom Fund? You compound it!

Compounding is such a powerful tool that Albert Einstein once called it the most important invention in all of human history.

To illustrate that power, here is the story of twin brothers William and James, with investment strategies that couldn't have been more different, (as told by Burton Malkiel to Tony Robbins).

William and James have just turned 65 – the traditional retirement age – William got a jump-start on his brother, opening a retirement account at the age of 20 and investing $4,000 annually for the next 20 years. At 40, he stopped funding the account but left the money to grow in a tax-free environment at the rate of 10% each year.

James didn't start saving for retirement until the ripe old age of 40, just as his brother William stopped making his own contributions. Like his brother James invested $4,000 annually, also with a 10% return, tax-free, but he kept at it until he was 65 – 25 years in all.

In sum, William, the early starter, invested a total of $80,000 ($4,000 per year x 25 years at 10%), while James, the late bloomer, invested $100,000 ($4,000 per year x 25 years at 10%).

So which brother had more money in his account at the age of retirement? The answer of course, was the brother who'd started sooner and invested the least amount of money. Get this, he saved 600% more!

William, the brother who'd gotten the early start and stopped saving before his brother had even begun, who ended up with almost $2.5 million. And it was James, who'd saved all the way until the age of 65, who had less than $400,000. That's a gap of over $2 million! All because William was able to tap into the awesome power of compounding for an additional 20 years, giving him an insurmountable edge – and saddling him with the family dinner checks for the rest of his life.

Thinking this is impossible? Maybe the Save More Tomorrow plan by Benartzi and Thaler will help. Automatically divert 3% of your salary into a retirement account and then add 3% more every time you get a raise. After just 5 years you will be saving just under 14% of your paycheck. See the impact at www.nytimes.com/interactive/2010/03/24/your-money/one-pct-more-calculator.html.

There are two thoughts I want you to leave this section with and they are:

1. Earn more, spend less, and automate it
2. A part of all I earn is mine to keep. – Say it every morning, at noon and at night. Say it in your sleep if you can.

Exercise: How Wealthy Are You?

As discussed in the DVD portion, rate your current level of wealth in each of the areas of the Mastery Pyramid on a scale of one to ten. A ten means you are exactly where you want to be, and a zero means you don't feel wealthy in that area at all. What's your level of energy? Do you have a strong sense of meaning, joy, and excitement? Where would you rate your level of relationship wealth, particularly intimate relationships (Hint: if you're not in an intimate relationship, that would be zero)? Are you happy with the time you spend doing the things that matter to you most? Is your work a job, a career, or a mission? Where are you financially? Are you contributing to others and celebrating your accomplishments?

In your notebook, brainstorm two immediate steps you can take to improve your level of wealth in the two areas where you scored the lowest.

1. Physical
0 1 2 3 4 5 6 7 8 9 10

2. Emotional
0 1 2 3 4 5 6 7 8 9 10

3. Relationships
0 1 2 3 4 5 6 7 8 9 10

4. Time
0 1 2 3 4 5 6 7 8 9 10

5. Work/Career/Mission
0 1 2 3 4 5 6 7 8 9 10

6. Finances
0 1 2 3 4 5 6 7 8 9 10

7. Celebration & Contribution
0 1 2 3 4 5 6 7 8 9 10

Physical
1. ______________________________
2. ______________________________

Emotional
1. ______________________________
2. ______________________________

Relationships
1. ______________________________
2. ______________________________

Time
1. ______________________________
2. ______________________________

Work/Career/Mission
1. ______________________________
2. ______________________________

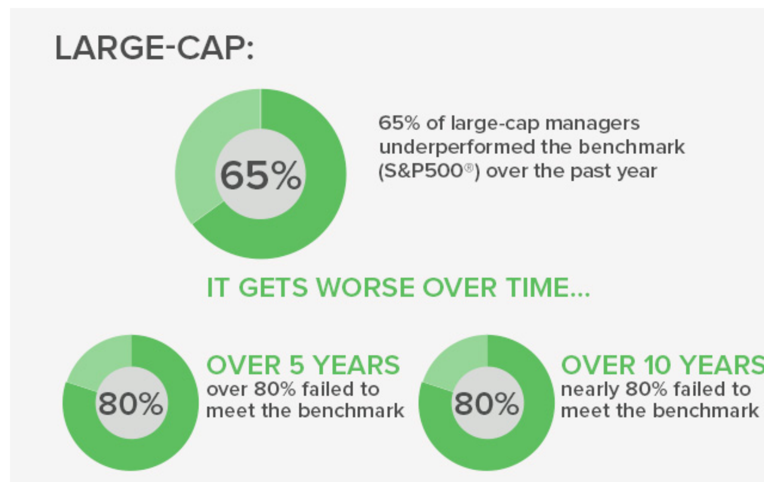
Financial
1. ______________________________
2. ______________________________

Contribution & Celebration
1. ______________________________
2. ______________________________

Section 2: Become an Insider.

MYTH #1: An actively managed mutual fund will help you beat the market.

An incredible 96% of actively managed mutual funds fail to beat the market over any sustained period of time.



MYTH #2: Your mutual fund fees are just a small price to pay.

I know it sounds crazy, but the 1% fee that you think is the total cost you're paying is really only one of more than ten potential fees. With an average cost of owning a mutual fund being 3.17% per year, that fee might be eating up 60% of your potential returns over time!

ADD 'EM UP	
Non-taxable Account	**Taxable Account**
Expense ratio, 0.90%	Expense Ratio, 0.90%
Transaction costs, 1.44%	Transaction costs, 1.44%
Cash drag, 0.83%	Cash drag, 0.83%
___	Tax cost, 1.00%
Total costs, **3.17%**	Total costs, **4.17%**
"The Real Cost of Owning a Mutual Fund," *Forbes*, April 4, 2011	

To escape the fee factories, you must lower your total annual fees and associated investment costs to 1.25% or less, on average.

BREAK IT DOWN

If you really want to know how badly you're being abused through hidden fees, take a moment and review a sample list below of some of the core fees and costs that impact your mutual fund investments:

BREAKOUT FEES

Expense Ratio. This expense is the main "price tag" – the number they want us focused on. But it certainly doesn't tell the whole story. According to Morningstar, US stock funds pay an average of 1.31% of assets each year to the fund company for portfolio management and operating expenses such as marketing (12b-1 fees), distribution, and administration. Many of the larger funds have realized that a 1% ballpark expense ratio is where they want to come in so that investors don't flinch and brokers have a good story to sell – I mean tell.

Transaction Costs. Transaction costs are a broad, sweeping category and can be broken down further into categories such as brokerage commissions, market impact costs (the cost of moving the market as mutual funds trade massive market-moving positions), and spread costs (the difference between the bid-and-ask or the buy-and-sell price of a stock). A 2006 study by business school professors Roger Edelen, Richard Evans, and Gregory Kadlec found that US stock mutual funds average 1.44% in transaction costs per year. This means that these transaction costs are perhaps the most expensive component of owning a mutual fund, but the industry has deemed it too tough to quantify, and thus it goes un-reported in the brochures.

Tax Costs (or 401[k] Costs). Many people are excited about the "tax deferred" treatment of the 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, and according to the nonpartisan GAO (Government Accountability Office), the average plan administrator charges 1.13% per year! If you own a mutual fund in a taxable account, the average tax cost is between 1.0% and 1.2% annually, according to Morningstar.

Soft-Dollar Costs. Soft-dollar trading is a quid pro quo arrangement whereby mutual fund managers choose to pay inflated trading costs so that the outside firm executing their trades will then rebate the additional cost back to the fund manager. It's a reward program for using a particular vendor. The frequent flier miles of Wall Street. The fund manager can use these funds to pay for certain expenses such as research and reports. These are costs the fund manager would otherwise have to pay!, so the net result is that you and I pay! These are simply well disguised increases in management revenue that hit the bottom line. They're unreported and nearly impossible to quantify, so we aren't able to include them in our equation below, but make no mistake it's a cost.
Cash Drag. Mutual fund managers must maintain a cash position to provide daily liquidity and satisfy any redemptions (selling). Since cash is not invested, it doesn't generate a return and thus hurts performance. According to a study title "Dealing with the Active," authored by William O'Reily, CFA, and Michael Preisano, CFA, the average cost from cash drag on large-cap stock mutual funds over a ten-year time horizon was 0.83% per year. It may not be a direct fee, but it's a cost that takes away from your performance.
Redemption Fee. If you want to sell your fund position, you may pay a redemption fee. This fee is paid to the fund company directly and the US Securities and Exchange Commission (SEC) limits the redemption fee to 2%. Like the world's most expensive ATM, it could cost you $2,000 to get back your $100,000!
Exchange Fee. Some funds charge a fee to move or exchange from one fund to another within the same family of funds.
Account Fee. Some funds charge a maintenance fee just to have an account.
Purchase Fee. A purchase fee, not to be confused with a front-end sales load (commission), is a charge to purchase the fund that goes directly to the fund company.
Sales Charge (Load) or Deferred Sales Charge. This charge, typically paid to a broker, either comes out 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.

MYTH #3: Our returns? What you see is what you get.
Surprise! The returns the mutual funds advertise are not the returns that you actually receive. While mutual funds advertise average rates of return, it's the **REAL** rate of return that matters. Here's an example for you. Let's say that you have $100,000 that goes up 50%, down 50%, up 50%, and down 50% over 4 years. This produces an average return of 0%. But what is the REAL return that you would actually walk away with in cold hard cash at the end of the 4 years? A staggering $56,250. When you withdraw your $56,250 there is one more thing you must do….Pick your tax!

- **Ordinary Income Tax** – if you're a high-income earner, your combined state and federal income taxes are nearing or exceeding 50%
- **Long-Term Capital Gains** – This is a tax on investments, which is only 20% if you hold your investment for longer than one year before you sell.
- **Short-Term Capital Gains** – This is a tax on investment gains if the investment is sold before you have held it for a minimum of one year. These tax rates are currently the same as ordinary income taxes. Ouch!

Uncle Sam always has to get his cut. Now the $56,250 becomes even less. You put in $100,000 and you're going to received less?! No way! Most people quit there and justify their lack of participation in investing for their future with this simple math. Stick with us and we'll show you how to legally decrease your tax liability, but for now let's keep myth busting.

MYTH #4: Your broker has your best interests at heart.
Brokers and other financial management professionals do not always have investors' best interests at heart, and sometimes do not have the capability to serve investors' needs. Other motivations and limiting factors – the drive for personal income, sales, to push certain products on behalf of an employer or to chase fees – divert priorities from donors' best interests.

The Suitability Standard
People of the financial service industry operate in a "closed circuit" environment in which the tools at their disposal are pre-engineered to be in the best interest of the "house". By legal definition, all they have to do is provide you with a product that is "suitable."

According to David Karp, a registered investment advisor, the suitability standard essentially says, "It doesn't matter who benefits more, the client or advisor. As long as an investment is suitable (meets the general direction of your goals and objectives) at the time it was placed for the client, the advisor is held free of liability."

Fun Facts from 2009 study conducted by Morningstar:
Only 51% of managers own shares in the fund they manage. The other 49% own no shares.

- 2,126 own no shares in the fund they manage
- 159 managers had invested between $1 and $10,000 in their own fund.
- 393 managers invested between $10,001 and $50,000
- 285 managers invested between $50,001 and $100,000
- 679 managers invested between $100,001 and $500,000
- 197 managers invested between $500,001 and $999,999
- 413 managers invested more than $1 million

Ask yourself: If the people who manage the fund aren't investing in the fund they run, why in the world would I?

BROKER	INDEPENDENT FIDUCIARY
Paying commissions for selling funds	Paying flat fee for advice
Nondeductible commissions	Advisory fees (may be deductible)
Paid to sell	Legally bound to provide advice with disclosure of any conflicts
Suitability standard	Fiduciary standard
Offers broad array of products and services that must be approved by the employer and includes those which are proprietary	Ability to access all products and services
Constrained by employer	Independent
Acts as custodian of investments	Uses third-party custodian

The Gold/God Standard

Contrary to the Suitability Standard is The Gold or what I like to call the God Standard. To receive conflict free advice we must align ourselves with a fiduciary. A fiduciary is a legal standard adopted by a relatively small but growing segment of independent financial professionals who have abandoned their big-box firms, relinquished their broker status, and make the decision to become a registered investment advisor. These professionals get paid for financial advice and by law must remove any potential conflicts of interest (or, at minimum, disclose them) and put the client's needs above their own. Find your fiduciary at http://findanadvisor.napfa.org/home.aspx

Criteria to consider when selecting an advisor

1. Make sure the advisor is registered with the state or the SEC as a registered investment advisor or is an investment advisor representative (IAR) of a registered investment advisor (RIA).

2. Make sure the registered investment advisor is compensated on a percentage of your assets under management, not for buying mutual funds. Make sure this fee is the only fee and is completely transparent. Be sure there are no 12b-1 fees or "pay-to-play" fees being paid as compensation.

3. Make sure the registered investment advisor does not receive compensation for trading stocks or bonds

4. Make sure the registered investment advisor does not have an affiliation with a broker-dealer. This is sometimes the worst offense when a fiduciary also sells products and gets investment commission as well.

5. With an advisor, you don't want to just give them your money directly. You want to make sure that your money is held with a reputable third-party custodian, such as Fidelity, Schwab, or TD Ameritrade, which offers 24/7 online account access and sends monthly statements directly to you.

BREAKDOWN OF EXPENDITURES

HOUSING:
- Shelter (mortgage payments, property taxes, or rent; maintenance and repairs; insurance)
- Utilities (gas, electricity, fuel, cell/telephone, water)
- House furnishings and equipment (furniture, floor coverings, major appliances, small appliances)

FOOD:
- Food and nonalcoholic beverages purchased from grocery, convenience and specialty stores (including purchases made under food stamp program)
- Dining at restaurants
- Household expenditures on school meals

TRANSPORTATION:
- Monthly payments on vehicle loans
- Down payments
- Gasoline and motor oil
- Maintenance and repairs
- Insurance
- Public transportation

CLOTHING:
- Children's apparel such as diapers, shirts, pants, dresses and suits
- Footwear
- Clothing services (dry cleaning, alterations, repair)

HEALTH CARE:
- Medical and dental services not covered by insurance
- Prescription drugs and medical supplies not covered by insurance
- Health insurance premiums not paid by an employer or other organization

CHILD CARE AND EDUCATION:
- Day care tuition and supplies
- Baby-sitting
- Elementary and high school tuition, books, fees and supplies (for private or public schools)

MISCELLANEOUS:
- Personal care items (shampoo, toothpaste, etc.)
- Entertainment (sports equipment, televisions, computers, etc.)
- Reading material (non-school related books, magazines, etc.)

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MINDFUL SAVINGS

Here's a quick-and-easy six-step exercise to get you thinking more aggressively—more purposefully —about saving:

1. Brainstorm about all the recurring expenditures that you could eliminate or reduce to cut your expenses. Cell phone bills, lunch money, movie tickets. Think about where you can make changes.

2. How much do these items or activities cost? Highlight the most significant of these expenditures and make a note of the associated costs. Next, calculate how many times per week you indulge in this expense and take a reality check snapshot.

3. Now, on a scale from 0 to 10 (with 0 representing none and 10 representing extremely pleasurable), how much joy do you get from each of the items above? Attach a number to each activity or item to help you associate these costs to your life.

4. Next, think of what it would feel like to have Absolute Financial Freedom. What would you be able to enjoy, have, do, be, or give if you were absolutely financially free?

5. Decide which is more important to you: the joy you receive from the recurring expenditures on your list or the feeling of Absolute Financial Freedom. Remember that life is a balance. You don't have to cut out everything from your list to move the needle on that feeling of freedom.

6. Write down at least three expenditures you are resolved to eliminate. Calculate how much money this will save you over the course of the next year.

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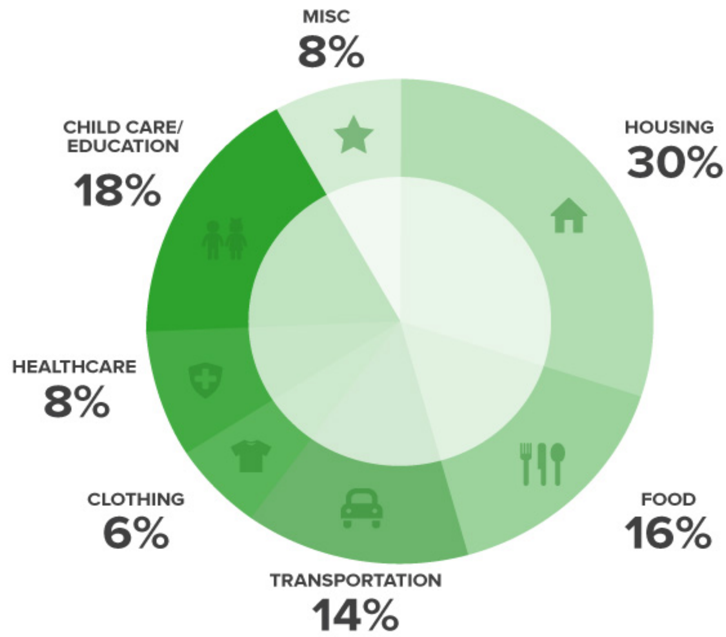


An Exercise in Mindful Saving

#	Item/activity	Cost of item/activity	# Times/week	Total Cost (Cost of item x times per week)	Level of enjoyment (1-10)
1					
2					
3					
4					
5					
6					
Grand total of cost per week					
Grand total of cost per year					

MYTH #5: Your 401(k) is the safest way to plan for retirement.
401(k) plans are not the safe retirement plans they seem to be – they can carry high fees, and the benefits of tax deferral of the standard 401(k) might not be worthwhile compared to a Roth option.

401(k) plans receive the benefit of tax deferral, but most are loaded with up to 17 different fees and costs between the underlying investments and the plan administration.

COMMUNICATION EXPENSES

- Enrollment (materials)
- Ongoing (materials)
- Enrollment (meetings)
- Investment advice

RECORD – KEEPING AND ADMINISTRATIVE EXPENSES

- Base fee
- Per participant fee
- Per-eligible employee fee
- Distributions
- Loans origination
- Loans maintenance
- Semiannual discrimination testing
- 5500 filing package
- Other expenses

INVESTMENT EXPENSES

- Base fee
- Individual (mutual) fund expenses
- Manager/advisor fee
- Other asset fees (revenue sharing, wrap, administration, and so on)

TRUSTEE EXPENSES

- Base fee
- Per-participant fee
- Asset charge

But now the good news! With the right 401(k), one that is lean, mean, and doesn't take your green, you can turn the headwind into a tailwind. You can gain momentum by taking advantage of what the government gave us.

The Solution:
A Roth IRA – and a Roth 401(k) are the best "tax havens" introduced by Senator William Roth for their introduction back in 1997. – Pay tax today and let your growth and withdrawals be free from the IRS's grabby paws. Roth IRA is limited to $5,500 annually, the Roth 401 (k) allows for $17,500 per year and you can do both simultaneously. If you earn more than $122,000 a year you can't use a Roth IRA but you can use a Roth 401(k) because there are no income limits.

SEVEN FREQUENTLY ASKED QUESTIONS

Stick with me here. We're about to start putting ideas into action. These are the seven most common questions that come up in the context of 401(k) plans and IRAs and how to best utilize them. Here we go!

1. SHOULD I PARTICIPATE IN MY 401(K)?

To the extent that your employer matches your contributions, you should certainly take advantage of your 401(k), as the company is essentially covering the taxes for you. **And if you think taxes are going up, checking the box so that your contributions receive Roth tax treatment is the way to go.** (A quick side note: the 401(k) plan itself might be insanely expensive and the investment options poor. If that is the case, you may not want to participate at all! To determine how your company's plan stacks up, go to http://americasbest401k.com/401k-fee-checker and click on Fee Checker to assess your company's plan.)

Just to be clear, if you check the box to make your contributions Roth-eligible, you will still be investing in the same investment options (or list of fund), with the only difference being that you will pay taxes on the income today. But your future nest egg will be completely tax-free when you withdraw. Retirement expert Dr. Jeffrey Brown of the University of Illinois gave me his take on his own personal finances. "I'd take advantage of every Roth opportunity I can because... I've spent a lot time looking at the long-term fiscal outlook for the United States, and you know I am a pretty optimistic guy, on the whole. But I have to tell you that **I cannot envision any situation in which our need for tax revenue in the future is not going to be higher than it is today."**

Taking it one step further, Dr. Brown has personal guidance for his younger students: "Absolutely pour as much money as you can into that Roth because you're going to be paying little or no taxes on it, and then someday you could have the greatest income ever."

If you are one of the few that thinks taxes in the future will be lower, you could be in for a huge surprise. "Conventional wisdom" says we should be in a lower tax bracket when it comes time to retire, as we won't be earning as much. But in reality, our home is often paid off (so we don't have any mortgage deductions), and the kids are long gone (so we don't have any dependents).

Finally, you might be self-employed and think that all this 401(k) talk is irrelevant. Not so! You can start a Solo 401(k), which is a 401(k) for an individual business owner and his or her spouse.

2. WHAT IS A ROTH 401(k), AND HOW CAN I USE IT TO MY ADVANTAGE?

I said it before, but it's worth repeating: most of today's 401(k) plans allow you to simply "check a box," and your contributions will receive the Roth tax treatment. This decision means you pay tax today, but you never pay tax again!

3. SHOULD I SET UP A ROTH IRA?

Yes!! You can set up a Roth IRA account and contribute $5,500 per year ($6,500 if you're 50 or older). You can even do so if you are already maxing out your 401(k) contributions. Opening a Roth IRA is as simple as opening a bank account. TD Ameritrade, Fidelity, and Schwab are three firms that make the process incredibly simple. You can do it online in less than ten minutes.

4. BUT WHAT IF I MAKE TOO MUCH MONEY FOR A ROTH IRA?

Sadly, you cannot contribute to a Roth IRA if your annual income is over $114, 000 as an individual or more than $191,000 for a married couple (for 2014). But don't fret, regardless of how much you make, you can still participate in a Roth 401(k). And if you have an IRA, you might want to consider converting tour IRA into a Roth IRA, but know that you will have to pay tax today on all the gains.

5. SHOULD I CONVERT MY TRADITIONAL IRA TO A ROTH IRA?

Let's say you have an IRA WITH $10,000. The government will allow you to pay the tax today (because it needs the money), and you will never have to pay tax again. This process is called a Roth conversion. So if you are in the 40% bracket, you would pay $4,000 today, and your remaining $6,000 will grow without tax, and all withdrawals will be tax free. Some people cringe at the idea of paying tax today because they view it as "their" money. It's not! It's the government's. By paying the tax today, you are giving Uncle Sam his money back earlier. And by doing so, you are protecting yourself and your nest egg from taxes being higher in the future. If you don't think taxes will be higher, you shouldn't convert. You have to decide, but all evidence points to the hard fact that Washington will need more tax revenue, and the biggest well to dip into is the trillions in retirement accounts.

6. WHAT ABOUT MY OLD 401(k) PLAN(S) WITH PAST EMPLOYERS?

Older plans can either be left with a previous employer or "rolled over" into an IRA. One would leave it with an old employer only if the plan itself was low cost and had favorable investment options. Bu rolling over the plan into an IRA (it takes about ten minutes online to move the fund from your former plan to a third-party IRA custodian like TD Ameritrade, Schwab, or Fidelity), you will have great control. You can invest in nearly any investment, not just a limited menu it offers. And with this great control, you will be able to hire a fiduciary advisor and implement some exciting strategies and solutions we will review in section 3. With a fiduciary advisor, you don't pay commissions. You pay for advice. And it's typically 1% or less of your invested assets, and remember, you might be able to deduct it from your taxes.

Second, by rolling over your old 401(k) into an IRA, you will then have the option to convert an IRA into a Roth IRA.

7. WHAT ELSE CAN I DO IF I AM MAXING OUT MY PLAN AND WOULD LIKE ADDITION OPTIONS TO SAVE?

Small business owners that are making a lot of money and want to reduce their taxes today can benefit greatly from the addition of a cash balance plan on top of their 401(k) plan. Cash-balance (CB) plans are the fastest growing of the defined benefit pension plans and could overtake 401(k) plans within the next few years, according to researchers at Sage Advisory Services, a registered investment advisory firm headquartered in Austin, Texas. In fact, over one third of Fortune 100 companies have adopted a cash-balance plan. So what is it? A cash-balance plan is basically a pension plan. In other words, the amounts deposited are earmarked to provide the business owner with future retirement income. So what's the biggest draw? For high-income business owner, not only can she max out her 401(k) and a profit-sharing plan, but she can also add a cash-balance plan, which creates some very large, fully deductible contributions. On page 156 is a table showing the possible deductions.

MYTH #6: A Target Date Fund is your sure plan to retirement.
Despite being the fastest-growing segment of the mutual fund industry, target-date funds (TDFs) may completely miss the mark. Though sometimes a good option compared to an investor picking his/her own asset allocation, TDFs are only as good as the fund manager picking the asset mix. They can also carry heavy fees that severely dilute gains over time.

MYTH #7: Big rewards require big risks.
Nothing could be further from the truth. If there is one common denominator of successful insiders, it's that they don't speculate with their hard-earned savings, they strategize. Look for opportunities that provide asymmetric risk/reward. This is a fancy way of saying that the reward is drastically disproportionate to the risk. Risk a little, make a lot.

Section Review:

- Nobody beats the market and by using low cost market mimicking index funds, we can out perform 96% of mutual funds and nearly as many hedge funds.
- Since stock-picking mutual funds are charging us extremely high fees (over 3%, on average), we can drop our investment fees by 80% or even 90%. You could have more than twice as much money when you retire or cut years off the time it will take you to get to financial freedom.
- We have learned the difference between a butcher and dietitian – between a broker and a fiduciary.
- We learned how to drastically reduce our 401(k) fees by using a low-cost provider like America’s best 401(k)
- We learned about the Roth 401(k) and how we can protect against rising taxes by paying the tax today and never paying tax again (not on the growth or withdrawals)
- We learned that target date funds are not only expensive but also may be more aggressive or volatile than you think. And if you want to use a TDF you should stick with a low-cost provider like Vanguard.
- We learned that variable annuities are a mutant evolution of a 2,000 year old financial product but that other more traditional Fixed annuities can provide what no other product can: a guaranteed lifetime income stream
- And finally, we learned that wealth without risk is a possibility.

The Mechanics of Wealth

The stage has been set for you to make that shift in your psychology so you can define this area of your life called wealth. Again, no amount of money will ever make you wealthy. Wealth is primarily a matter of psychology. Once you understand how to be psychologically and emotionally wealthy, then you can work the mechanics of accumulating wealth—how to take this inspirational quality and execute the actions necessary to create financial freedom. What do you physically have to do to get to that place where you’re no longer worried about money?
First, it helps to review the distinctions between what it means to be financially secure, financially independent, and financially free:

1. **Financial Security:** that amount of money that covers food, housing, cars, travel, and basic entertainment.
2. **Financial Independence:** where you don’t have to work and everything is covered.
3. **Financial Freedom:** you don’t have to work and EVERYTHING YOU CAN THINK OF is covered.

Section 3: What's the Price of Your Dreams.

- Cash for 2 – 6 months, savings accounts, money market funds
- Home, family property
- IRA, insurance, pension
- Fixed Income investments with a guaranteed rate of return (Government bonds, annuities...etc

What will it take to be financially secure:

1. Rent/mortgage payment: $__________ per month
2. Food, household: $__________ per month
3. Gas, electric, water, phone: $__________ per month
4. Transportation: $__________ per month
5. Insurance payments: $__________ per month

Total $__________ per month

Total basic monthly expenses: $_________ x 12 = ___________ per year
(US average basic annual expenses: $34,668)

- Equities: stocks, ownership shares of companies & ETFs
- High-yield bonds: aka junk bonds
- Commodities: gold, silver, oil, coffee, etc...
- Foreign currencies
- High-value collectibles: art, wine, coins, antiques, etc...
- Structured notes with partial protection

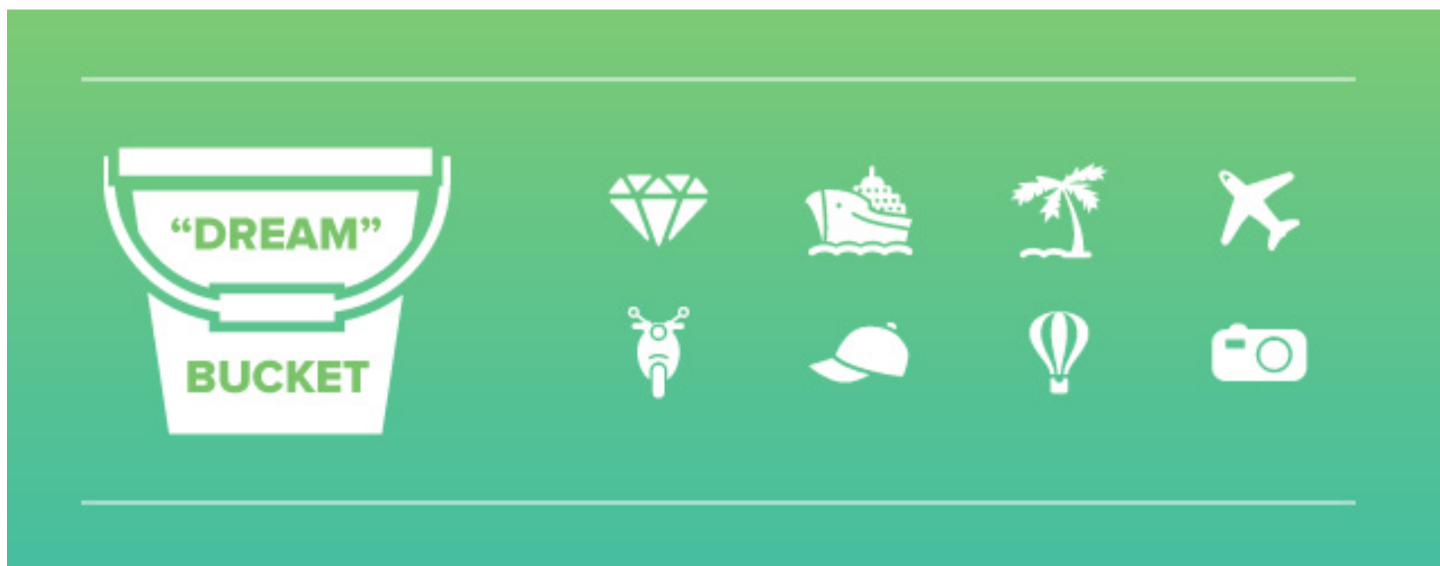
Here's how to calculate your Financial Vitality:

1. Half of your current monthly clothing costs: $__________ per month
2. Half of your current monthly dining and entertainment costs: $__________ per month
3. Half of your current small indulgence or little luxury costs: $__________ per month
4. Total additional monthly income for vitality: $__________ per month
5. Total amount needed for Financial Security: $__________ per month

Total $__________ per month

Total monthly cost of Financial Vitality: $_________ x 12 = ___________ per year

To calculate Financial Independence consider this, if you made $100,000 and spend $100,000 including paying your taxes, then your financial independence is $100,000. Multiply this number by 20 years to determine how much you will need in your critical mass.



Here's how to calculate your Financial Freedom:

1. Luxury item #1: $__________ per month
2. Luxury item #2: $__________ per month
3. Donation: $__________ per month
4. Total amount needed for Financial Independence: $__________ per month

Total monthly income required for your Financial Freedom: $__________ per month

Total monthly cost of Financial Freedom: $_________ x 12 = ___________ per year

Let's take it one step forward and calculate your number for Absolute Financial Freedom.

1. Luxury item #1: $__________ per month
2. Luxury item #2: $__________ per month
3. Luxury item #3: $__________ per month
4. Total amount needed for Financial Freedom: $__________ per month

Total amount needed for your Absolute Financial Freedom: $__________ per month

Total monthly cost of Financial Freedom: $_________ x 12 = ___________ per year

Which of these dreams are your 3 to thrive?

Section 4: Make the game winnable, Asset Allocation.

As mentioned before, to escape the fee factories, you must lower your total annual fees and associated investment costs to 1.25% or less. We've already discussed ways in which to reduce our fees and in the coming sections we're going to learn how to retain more of our earnings through asset allocation, diversification and tax efficiency.

SECURITY BUCKET

1. **Cash/Cash equivalent:** For larger amounts of money that we need to keep safe and liquid, you can buy into ultra-short-term investments called cash equivalents. The most well-known are good old money market funds. These are basically mutual funds made up of low-risk, extremely short-term bonds and other kinds of debt (which you'll learn more about in a moment). They can be great because you get a somewhat higher rate of return than a boring old bank account, but you still get immediate access your cash 24 hours a day – and there are some that even let you write checks.

   By the way most banks offer money market deposit accounts, which are not the same as money market funds. These are like savings accounts where the banks are allowed to invest your money in short-term debt, and they pay you a slightly better interest rate in return. There's usually a minimum deposit required or other restrictions, low rates, and penalties if your balance falls too low. But they are insured by FDIC, which is a good thing. And that sets them apart from money market funds, which are not guaranteed and could potentially drop in value.

   But if you want to keep your money safe, liquid, and earning interest, one option is US Treasury money market fund with checking privileges. True, these funds aren't insured by the FDIC, but because they are tied only to US government debt and not to any corporations or banks that might default, the only way you can lose your money is if the government fails to pay its short-term obligations. If that happens, there is no US government, and all bets are off anyway!

2. Bonds

A FEW WORDS ABOUT BONDS
Gentlemen prefer bonds. —Andrew Mellon, founder of the Bank of New York Mellon
Not that long ago, bonds were supposed to be the safest, most reliable form of investment. They were the big guns in the portfolios of the ultrawealthy, and the bedrock of your Security Bucket for the average investor. But bonds have taken a bad rap in recent years, and for good reason.. Wit the US government keeping interest rates insanely low, and some of the companies, cities, and even nations that issue bonds teetering on the in – or even going bankrupt – they don't seem like such a great deal to everyone anymore.
But most experts still think bonds are a important part of your investment mix. (In Fact, they're the foundation of the mind-blowing portfolio that works in all economic climates. Let's look at the basic kinds of bonds out there to see what can be great about them-and also what to watch out for.
US Treasury Bonds. Many investment experts, including Yale's asset allocation wizard David Swensen, feel that the safest bonds are good old US Treasuries, because they are backed by the full faith and credit of the government. David told me, "Treasury bonds are really there as an anchor for the portfolio." But because these bonds are so safe from default, they have smaller returns. And like other, less secure bonds, they can fluctuate in price based on outside events – particularly how much inflation or deflation is happening at the moment. So suddenly what you thought was a bomb-proof investment can blow up in your face! Treasuries come in four different types (and they have different names for how long they last to maturity).
1. T-bills These Treasury bills are government debt obligations that come due in less than 12 months. They are the basis for most short-term bond index funds and money market funds.
2. T-notes: Treasury notes mature in one to ten years, and offer a fixed interest rate (known as "the coupon"). You get interest payment on these every six months.
3. T-bonds: Same as T-notes, but Treasury bonds mature in ten to 30 years
4. TIPS: First created in 1997, these Treasury inflation-protected securities protect you against spikes in inflation. When you buy TIPS, the principal (or "par value") of your bond goes up or down when the consumer price index on inflation changes – and so does your semiannual interest payment. So if you buy $10,000 worth of TIPS at 1.5% interest, and the CPI doesn't change in six months, the "par value" of your bond stays the same, and you et $150 interest payment. But – and here's the beauty of TIPS! – if the cost of living goes up 2%, your bond is now worth $10,200, and your semiannual payment is $153. If you own a lot of TIPS, and there's a lot of inflation, that money can add up! Here's a chart that shows you how it works:

Year	Coupon	Par Value	Inflation Period	Change in CPI	Adjusted Principal Value	Interest Payment
1	1.5%	$1,000	Inflationary	+2%	$1,020	$15.30
2	1.5%	$1,020	Deflationary	-1%	$1,010	$15.15
3	1.5%	$1,010	Inflationary	+3%	$1,040	$15.60
4	1.5%	$1,040	Inflationary	+2%	$1,060	$15.90
5	1.5%	$1,060	Inflationary	+1%	$1,070	$16.05

Notice that the value of the bond can be adjusted down, too. So if we go into another economic recession or depression, you could potentially lose some of your principal if you need to liquidate and get the value of your bond today.

Basically if you buy TIPS, you're betting that we're heading into a period of inflation. Does that seem likely? If you're not sure (and really, nobody ever knows for sure), you may want to do what David Swensen recommends in his ideal portfolio: because TIPS go up in price when interest rates rise. That way, you're protected in any situation!

Of course, the US government isn't the only country that issues bonds to pay for its operations. And in the good old days of a few years ago, a bond backed by the full faith and credit of a sovereign nation used to be considered a fairly safe bet. But now that we've had Greece, Spain, and other nations teetering on default – or like Argentina, plunging over the edge – foreign government bonds have become a riskier deal. Foreign bonds are also more vulnerable to inflation risks, and if you buy bonds in a unstable currency, you might run into big trouble exchanging them back into dollars. Most advisors say to leave these investments to expert traders and hedge funds.

But what about some other bonds that can bring in better returns than plain old Treasuries? Some of the types listed below are safer than others. You can find out what others think about their prospects through a rating system that categorizes bonds by the level of risk to investors.
There are several internationally recognized bond rating agencies, such as Moody's, Fitch Ratings, and Standard & Poor's, that use special formulas to come up with credit ratings for different issuers – kind of like the way your credit is rated when you apply for a car loan or Visa card. For S&P, the grades range from AAA (the highest level of confidence that a company or country won't default on its debts) to BBB (adequate for "investment grade" bonds), and all the way down to D (which means that bond issuer is already in default). The lower the rating, the more interest the issuer usually has to pay to bond holders for the risk that they're taking. The expertly renamed **high-yield bonds,** formerly known as junk bonds, have a rating of lower than BBB, which makes them "subinvestment grade."

Corporate Bonds – corporations issue bonds when they want to raise money to expand, make acquisitions, pay dividends, fund a loss, or any number of reasons. Should you buy corporate bonds? It depends on the risk. If you pick the wrong bond, you could lose most or all of your money. Even iconic companies such as TWA and Kodak have gone bankrupt. A year after it declared Chapter 11, Kodak's unsecured bonds were selling for 14 cents on the dollar. But bonds from most giant US corporations are still considered safe bets. Apple (with an AA+ rating) has been selling high-grade bonds to eager buyers – but the interest those bonds earn is only about 1% higher than comparable US Treasuries! Some investors like David Swensen, say, "Why bother with corporate bonds when you can get a better return just buying stock in the company?"

But if you're looking for higher yields in bonds, you have lots of options- as long as these investments go into your Risk/Growth Bucket and not your Security Bucket! For instance, not everybody shies away from so-called junk bonds. You have to look at each one and decide if it's worth the risk. In May 2014 Australia's largest airline, Qantas, offered a subinvestment-grade eight-year bond in Australian dollars for a 7.75% interest rate. The company had its credit rating downgraded because of recent losses and debt problems, but would you count it out? Or at a more extreme level, in January 2013 in the midst of chaos, there were people who were buying one-year Egyptian Treasury bills with a "guaranteed" (a guarantee is only as strong as you think an unstable government can make) return of 14.4%. Those who did this were betting that the US government and the Saudi Arabian government would keep Egypt stable and solvent.

Of course, not many of us have the experience or time to do this level of research. That's where a talented fiduciary advisor who's an expert in the area might come in handy. But there are also domestic and international high-yield bond index funds that can give you good returns while spreading the risk among many bonds.

Municipal Bonds – How about munis? When a state, city, or county needs to raise funds for a big public works project (sewer systems, hospitals, mass transit), it borrows money by issuing a bond. In the past, these municipal bonds were considered a win-win deal for everybody because the interest they paid was usually exempt from federal and possibly state taxes. But what's been happening to cities and counties all over the United States? San Bernardino and Stockton, California? Jefferson County, Alabama?

Detroit? Chicago? All bankrupt or on the verge, and their bondholders potentially left holding the bag. Doesn't sound like such a sure thing anymore. Also, when interest rates drop, sometimes the issuer of the bond can "call" it in and pay back your principal before the bond matures. You lose that guaranteed rate of return you were counting on. But once you acknowledge the risks, there can be some great opportunities in municipal bonds if you know where to look. And the tax advantages can be outstanding.

Here's an example that might prove valuable to you: a friend of mine recently bought a New York City bond where he's getting a 4% return tax free – which, for someone in a high tax bracket, is the equivalent of an approximately 7% return in a taxable bond! Why isn't he worried about the risk? These bonds are secured by a lien on future tax revenues. So if New York City gets into trouble, it has the ability to tax its way out of it and pay him back! He feels so good about this bond that he's putting it in his Security Bucket!

The point is, there are plenty of municipal bonds that could be valuable for you – but you have to educate yourself and sit down with a registered investment advisor or some other knowledgeable investment expert who knows his or her munis.

Want to take the guess work out of finding the right bond mix for your portfolio? Vanguard founder Jack Bogle suggest buying into **low-cost, low-fee bond index funds that spread out our risk because you'll own every part of the bond market.** You can see how Bogle puts this concept to work in his own portfolio in section 6, "Invest Like the .001%: The Billionaire's Playbook."

Now onward to greater risk and potentially greater reward.

3. **CDs**.
    a. Market-linked CDs are similar to structured notes except that they are FDIC insured and tie up your money for 1-2 years.
4. **Your home** because it's a sacred sanctuary. Don't spend it. Don't gamble against it, don't flip it. A fixed-rate mortgage is a hedge against inflation, and there's a tax advantage. If you own it outright, renting it out, whether all or part of it, could be a safe way to earn some income.
5. **Your Pension** – if you're lucky enough to have one
6. **Annuities** – this is an insurance product that can give you a guaranteed income for life. They're like private pensions if they're done right.

7. **Life insurance policy** – you need to have at least one and you don't mess with it. Term life will suffice for most people.

8. **Structured Notes** – engineered safety for investors. Like market-linked CDs, but they aren't covered by the FDIC insurance. You lend money to a bank – usually the biggest bank in the world – and the bank promises to give you back the money after a specified period of time, plus a percentage of whatever gains accumulate in a particular index (say, the S&P 500 – minus the dividends – commodities, gold, REITs, or a combination). For example, at the time of this writing J.P. Morgan has a seven-year structured note with 100% downside protection, meaning you'll never lose your original investment, plus it gives you 90% of the upside gain of the S"&P 500. The right kind of structured not can be a great way to participate in the upside of the market without worrying about the downside – especially at a stage of life when you can't afford to take such volatility risks. – those with 100% principal protection from a financially solid banking institution

GROWTH BUCKET

1. **Equities** – another word for stocks, or ownership shares of individual companies or vehicles for owning many of them at once, like mutual funds, indexes and exchange-traded funds (ETFs).

    a. **Exchange-traded funds** have been called the "It" girl of the stock market, ballooning in popularity by more than 2,000% from 2001 to 2014, and holding more than $2 trillion in investments. They are built like mutual funds and index funds, because they contain a diversified collection of assets, but you can trade them just like individual stocks. Most of them follow a theme (small-cap stocks, municipal bonds, gold) and or trace an index. But with an index or mutual fund, you have tyo wait until the end of the trading day to buy or sell; ETFs can be traded all day long. Experts say that if you like the idea of an index fund, but you want to buy when you see the price is low and sell when the price is high during a trading session, an ETF might be for you. But that's trading not investing, and trying to time a market brings very intense and special risks. Another difference is when you buy shares of an ETF, you are not buying the actual stocks, bonds, commodities, or whatever else is bundled in the fund – you are buying shares in an investment fund that owns those assets. That company promises that you'll receive the same financial outcome as if you'd owned them yourself. But don't worry, it sound more complicated than it is. A lot of people like ETFs because they give you a tremendous amount of diversity at a low cost. In fact, many ETFs have lower fees than even comparable traditional index funds, and sometimes lower minimum investment requirements. And because they don't engage in a lot of the kind of trading that produces capital gains, they can be tax efficient (although there is a move toward more actively managed ETFs coming to the market, which makes them less tax efficient). – "I'm a big believer in buying and holding for the long run, ETFs are for people who like to trade, and so I'm not a big fan." – Jack Bogle, founder of Vanguard.

2. **High-yield bonds** – aka Junk Bonds

3. **Real Estate**

    a. **Income producing properties/REITs (real estate investment trusts)** – trusts that own big chunks of commercial real estate (or mortgages) and sell shares to small investors, like mutual funds. They trade like stocks and you can also buy shares of an REIT index fund, which gives you a diversity of many different REITs. "You're better off investing in REITs than owning your own home." – Robert Shiller, Nobel economist

    b. **Senior housing –** provides income and the potential growth in appreciation

4. **Commodities** – this category includes gold, silver, oil, coffee, cotton, and so on.

5. **Currencies** – currency investing is pure speculation and not for the faint at heart

6. **Collectibles –** art, wine, coins, automobiles, and antiques to name a few. This asset class requires very special knowledge or a lot of time on eBay.

7. **Structured Notes –** higher potential returns, but only partial protection if the index drops. Say you buy a note with 25% protection. That means if the stock market drops up to 25%, you don't lose a dime. If it goes down 35%, you lose 10%. But for taking more risk, you get more upside: sometimes as much as 150% of the index to which it's tied. In other words, if the market went up 10%, you'd receive a 15% return. Remember: structured notes should be purchased through an RIA.

Let's test your knowledge. Allocate **David Swensen Portfolio** by marking the correct bucket.

Asset Class (index Fund)	Portfolio Weight	Risk/Growth	Security
Domestic stock	20%		
International stock	20%		
Emerging stock markets	10%		
REITs (real estate investment trusts)	20%		
Long-Term US Treasuries	15%		
TIPS (Treasury inflation-protected securities).	15%		

Before you make the choice you have to consider three factors:
Your stage in life / Your risk tolerance and / Your available liquidity
Take the Rutgers risk quiz: http://njaes.rutgers.edu/money/riskquiz

DREAM BUCKET
Who fills your dream bucket? You do! When you: Save more and invest the difference. Earn more and invest the difference. Reduce fees and taxes and invest the difference. Get better returns. Change your lifestyle.

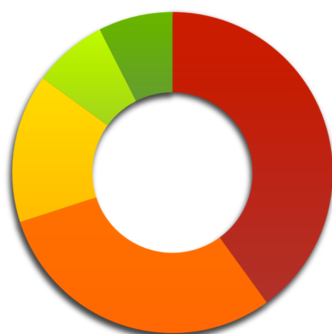
Ray Dalio's Four Economic Seasons. There are only four things that move the price of assets: Inflation / Deflation / Rising economic growth, and / Declining economic growth.

	GROWTH	INFLATION
RISING ⇑	Higher than expected economic growth	Higher than expected inflation
FALLING ⇓	Lower than expected economic growth	Lower than expected inflation

Ray's view boils it down to only four different possible environments, or economic seasons, that will ultimately affect whether investments (asset prices) go up or down. (Except unlike nature, there is not a predetermined order in which the seasons will arrive.) They are: Higher than expected inflation (rising prices) / Lower than expected inflation (or deflation) / Higher than expected economic growth, and / Lower than expected economic growth.

	GROWTH	INFLATION
RISING ⇑	Stocks Corporate Bonds Commodities/Gold	Higher than expected inflation
FALLING ⇓	Treasury Bonds Inflation Linked Bonds (TIPS)	Treasury Bonds Stocks

ALLOCATION OF INVESTMENTS



- 40% Long Term US Bonds
- 30% Stocks
- 15% Intermediate US Bonds
- 7.5% Gold
- 7.5% Commodities

Most importantly remember: Income is the outcome. All season + Income for Life Can = Real Financial Freedom.

Section 5: Create A Lifetime Income Plan

Annuities

It is the only financial vehicle on the planet that can give you the following:

- 100% guarantee on your deposits. (You can't lose your money and you keep total control.)
- Upside without the downside: your account value growth will be tied to the market, so if the market goes up, you et to participate in the gains. But if the market goes down, you don't lose a dime.
- Tax deferral on your growth. (Remember the dollar-doubling example? Tax efficiency was the difference between having $28,466 or more than $1 million)
- A guaranteed lifetime income stream where you have control and get to decide when to turn it on.
- Get this: the income payments can be made tax-free if structured correctly.
- No annual management fees.

Deferred annuity

1. **Fixed annuity/Fixed deferred annuity**: offers a specific guaranteed rate of return for a specific period of time (independent of any stock market ups or downs), very much like you would receive with a CD or bond, but the rates are different.

The money grows tax deferred, and at the end of the term, you have a few options: a. You can walk away with your money, b. You can "roll your money" into a new annuity and keep the tax protection, or c. You can convert your account balance into a guaranteed lifetime income.

There are no annual fees in a fixed deferred annuity. You will know in advance what your growth will be at the end of the term. Handled properly, this can increase your net rate of return significantly. THE LONGER YOU WAIT, THE MORE YOU GET.

Long-term Deferred fixed-income annuity/Longevity Insurance – creates income insurance so that you have guaranteed rates of income from age 80 until your passing. Knowing you have an income starting at the later stage gives you the freedom to have to plan for only 15 years of retirement instead of 20 or 30.

"Currently, a 65-year-old man paying $100,000 for an immediate fixed annuity can get about $7,600 a year for life…But with a longevity policy that starts issuing payments at age 85, his annual payout will be $63,990." You don't have to wait until age 85 to turn on the income. The day you make the deposit, you'll be given a schedule of what the annual income payments will be at any age you want to begin taking income. And you don't have to start with a large lump sum…smaller lump sum = smaller payouts. – you don't have to pay tax on the entire income payment (because a good chunk of the payment is considered a return of your original deposit).

1. **Indexed annuity:** This is where your rate of return is tied to how the stock market does, but you get a percentage of the upside of the market (not all) with no downside and no possibility of loss.

    a. **Fixed Indexed Annuity:**

        i. Deposits remain entirely in your control.. You are not giving up access to your cash

        ii. It offers the potential for significantly higher annual returns than other safe-money solutions such as CDs or bonds.

        iii. It provides a 100% guarantee of your principal – you can't lose money.

        iv. The growth is tax-deferred, providing maximum compounded growth for the expansion for your Freedom Fund

        v. It provides income insurance, or a guaranteed income for life, when you select an optional income rider.

        vi. Gains and upside are locked in every year and becomes your new "base"

Instead of getting a small guaranteed rate of return like a traditional fixed annuity, your "base account" growth is determined by tracking the gains of a stock market index such as the S&P 500. As an example, if the S&P 500 goes up 8% in a given year, you would get to keep a certain percentage of that gain, which is typically subject to cap. For example, if your cap was 5%, you would receive a 5% credit to your base account value. In other words, there is a "cap" or "ceiling" in most annuities on how much of the gain you get to keep. But conversely, if the market goes down in that year, you don't lose a dime!

b. **New Fixed Indexed Annuity:**

   i. **Guarantee of your principal**

   ii. **The upside without the downside**

   iii. **No annual management fees or sales charges that come out of your account**

   iv. **Optional income rider available: when you do this, you'll have two accounts that compete with each other: (1) a base account that accumulates as the stock market grows and locks in its returns each year and (2) an income account where, depending upon the issuing insurance company, you'll have a guaranteed rate of return or a combination of a guarantee and market performance. To your benefit, the income you'll receive will be based on whichever account is larger at the time you decide you want the income.**

2. **Hybrid "indexed" annuity:** this is where you get the benefits of an indexed annuity with the addition of a "lifetime income" rider.

Variable annuities – every expert agreed that variable annuities should be avoided. They are extremely expensive, and the underlying deposits are invested in mutual funds (also known as sub accounts).

FREQUENTLY ASKED QUESTIONS

Here are a handful of common questions that seem to come up when people learn about fixed indexed annuities:

What happens if I die "early"?

If you die before turning on your income stream, your entire account balance is left to your heirs. This is a huge benefit over a traditional income annuity. When you do decide to eventually turn on your lifetime income stream (with a simple phone call), you do not forfeit your entire account to the insurance company. Your heirs would still get tour account balance minus any income payments your had taken to that point.

Can I take out money in case of an emergency?

Most FIAs allow you to withdraw up to 10% to 15% of your account without any penalty or surrender charge. Keep in mind, if you make this withdrawal prior to age 591/2, You will be charged a 10% penalty by the IRS, which is standard for any investment that gives you tax deferral on the growth. If you need all your money back, you can surrender your annuity and get your money out (plus any growth). However, this withdrawal may incur a surrender charge, depending on how long you have owned the annuity. A surrender charge is really a self-imposed penalty because you are taking back your money early. The typical schedule will start at 10% and go down by 1% per year until you reach 0%. So if you have held the annuity for five years, you would have a 5% charge if you surrender the contract and get back all your money. Any money invested in this vehicle should be considered money invested for the long term.

What are the fees within an FIA?

There are no annual management fees withdrawn from your account. However, if you select the guaranteed lifetime income rider, the annual fee for this ranges between 0.75% and 1.25% annually, depending on each company's individual offerings.

Can I put my IRA money into an annuity?

Yes, you can use money from your IRA (or Roth IRA), or you can also use after-tax dollars (money you have already paid tax on) to fund an annuity. This scenario is also known as qualified or nonqualified dollars, both of which can be used.

What is the cap on my account growth, and how is it determined?

The cap, the ceiling on how much of the market growth you get to keep, is typically tied to interest rates. If interest rates are higher, the cap is high (and vice versa). Some newer products offer 100% upside with no cap, but they take a small spread, which is a share of your upside/profits. If the market is up 10%, you might get 8.75% credited to your account (which means the insurer kept a 1.25% spread). But if the market goes down, it doesn't take anything, and you don't lose a dime. I like these uncapped strategies because they give the highest upside potential in a given year.

To what underlying markets will my account be "linked"?

The most popular index is the S&P 500. But newer indexes are being added quite frequently. For example, some accounts can be linked to the Barclays Dynamic Balanced Index (a mix of stocks and bonds) or the Morgan Stanley Dynamic Allocation Index (a mix of 12 different sectors). Some indexes are even tied to commodities.

What factors will determine how much income I get?

The amount that you contribute to the annuity, the length of time before you decide to access your income stream, and your age at the time your income begins are the primary factors that will ultimately contribute to the amount of income you'll receive. However, the biggest factor is the product you select. Every annuity contract is different in the amount of contractually guaranteed income it will provide, so it's important you understand this before you pull the trigger.

What is the tax treatment of an FIA?

The growth within your FIA is tax deferred. When you turn on the income stream, you will be paying ordinary income tax rates on the lifetime income payments. Because the government is giving you tax deferral, it will penalize you if you take money out before you reach age 59. If you own the FIA within a Roth IRA, there will be no tax on either the gains or the lifetime income stream.

Here's what you can avoid with a fixed index annuity: the benefits of getting the upside without the downside becomes incredibly powerful when you look back at the history of Wall Street crashes. What's astonishing is just how long it took for the market to recover – for investors to get back to breakeven. Just for fun, take a look at some of the history of the stock market crashes – and remember, with this type of investment, you can avoid all of these. P.440

Lifetime Income Stream: www.lifetimeincome.com

Achieving critical mass without having a plan and strategy for how to turn it into income that will last the rest of your lifetime will leave you like George Malory: dead on the back side of a mountain.

Even with all the knowledge and history in the world, it's all still a luck of the draw. When you were born, when you will retire and when your children will go to college. It's the largest lottery and we're all playing.

PPLI - Please note that there are very strict rules around the investment management, which must be done by a third-party investment professional, not the policy owner. If you need the cash, you can borrow from your policy. It's legally deemed and actually is a loan – and loans are not taxable. You can repay the loans at a future date of your choosing or allow the life insurance proceeds to pay off the loans when you pass away. Also, life insurance death benefit proceeds are income tax free when your kids receive the benefit.

In order to access PPLI, you must be an accredited investor (must have a net worth of at least $1 million [not including the value of your primary residence], or you have an income of at least $200,000 each year for the last two years [or $300,000 combined with your spouse). The typical minimum deposits are $250,000 for a minimum of four years.

For non-accredited investors go to www.tiaa-cref.org/public or contact Stronghold.

RICH MAN'S ROTH: Private Placement Life Insurance (PPLI)
Benefits

- Unlimited deposit amounts (with no income limitations)
- No tax on the growth of your investments
- No tax when accessed (if structured correctly) and
- Any money left over for your heirs cannot be taxed.

Quick Tip: GET A LIVING revocable TRUST, it's the best thing you can do to protect your family

Wealth Mastery: Freedom and Fulfillment

Most people in our culture have come to associate wealth only with money, but being truly wealthy means living in total abundance, free from anxiety concerning every area of our lives: the health of our bodies; feeling joyful and loved; having the time to experience life the way we want to; doing things that truly matter to us; never feeling like we don't have enough money; and feeling totally fulfilled.

But because our society tends to focus on scarcity—the things we don't have—most people become skeptical, pessimistic, sarcastic, and cynical about achieving their goals, including the goal that most of us want—total financial freedom. However, what's really keeping them from fulfilling their dreams is fear. If they believe it's not possible to be totally financially free, then they'll never be disappointed by trying and not succeeding. It's a way to protect themselves so they'll never feel like a failure, but the wall that protects us from disappointment also separates us from our dreams.
The difference in how people's lives turn out, in virtually every area of life, comes down to emotional fitness; the capacity to take difficulties and challenges, and convert them into lasting success. This is as true for money as it is for anything else.

The mechanics of creating a Money Machine, a way for you to get financially free, are actually not that difficult. But first you have to make the psychological changes that can not only get you there, but help you enjoy that place of freedom as well. No matter how much money you have, it's never going to be enough if you don't really master the parts within yourself that keep you from realizing you are already wealthy, with many reasons to be grateful. It is this resource of gratitude that will inevitably help you attain the level of financial freedom you dream of, and keep it.
This kind of emotional and psychological strength will carry you through those times when the mechanics of creating financial freedom are dull, frustrating, or tedious. If you can develop a psychology of resiliency within yourself, you give yourself many more opportunities to be successful. You are larger than anything that can happen to you, including any financial challenge you may face.

The richer you think and feel, the more abundance you attract. And when you're operating from that place of gratitude, it creates a different experience. The more successful, wealthy, and happy you become, the more momentum you gain. Other people become attracted to you and add to that wealth with more deals, more opportunities, and more experiences that lead down the path to financial freedom. Wealth truly does start in the mind and heart. Once you've locked that truth into your psychology, the financial freedom that's only a dream now can become your reality!

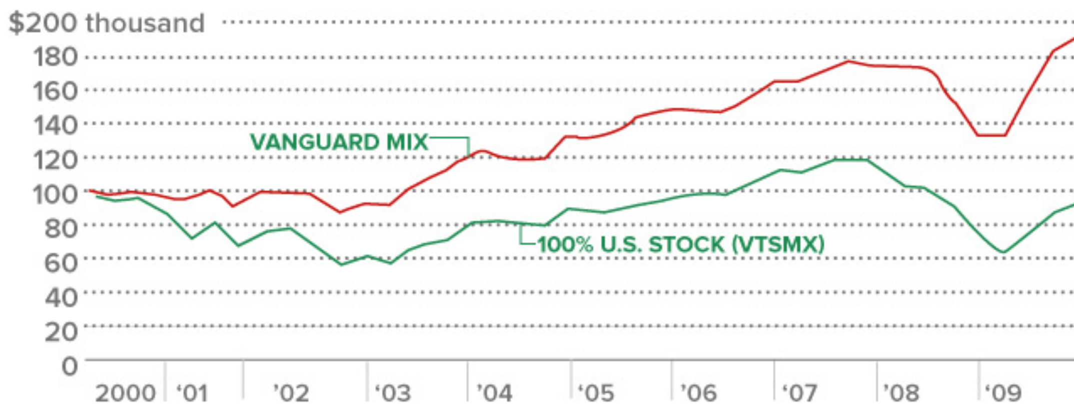
Thank you for learning how to Master the Game with Marvelous Mind Academy. We wish you the best of luck in all of your future endeavors, especially this one!

GLOSSARY

Mutual Funds

MUTUALLY BENEFICIAL

Broadly diversified portfolio of mutual funds (with annual rebalancing) vs. portfolio containing U.S. stocks only



*33% fixed income (VBMFX), 27% U>S> stock (VTSMX), 14% developed foreign markets (VDMIX), 14% emerging markets (VEIEX), 12% real estate investment trust (VGSIX)

Sources: Vangaurd and Morningstar

Web resources:

www.lifetimeincome.com

- Discover the pros and cons of your current annuity
- Determine the actual fees you are paying
- Assess whether or not the guarantees are the highest available and
- Decide whether to keep it or get out of your current annuity and "exchange" for a different type of annuity.

www.StrongholdFinancial.com

- Review your current holdings from all of your accounts, including your 401(k)
- See how much you are really paying and how much less you will have at retirement if you don't minimize fees.
- The system will show you risk exposure. In other words, how well did your portfolio hold up in 2008 and other market downturns?
- Get conflict free advice and a number of portfolio options
- The system will take into account your current tax situation and recommend a more tax-efficient allocation
- If you have more than $1 million in investable assets, you will have access to the Private Wealth Division.

www.howmoneywalks.com

http://amaericasbest401k.com/401k-fee-checker

http://americasbest401k.com/request-a-proposal

http://getyourshittogether.org

Checklist for Success

Step 1: Make the Most Important Financial Decision of Your Life

1. Did you make the decision to become an investor, not just a consumer?
2. Have you committed a specific percentage of savings that always goes toward your Freedom Fund?
3. Have you automated it? If not, do it now: www.tdameritrade.com or www.schwab.com.
4. If the amount you're committing now is small, have you committed to your employer to use the Save More Tomorrow program? See http://befi.allianzgi.com/en/befi-tv/pages/save-more-tomorrow.aspx

Step 2: Become the Insider: Know the Rules Before You Get in the Game

Do you know the 9 Myths, and are you now protected? Here's a mini-test:

1. What percentage of mutual fund beat the market (or their benchmark) over any ten years?
2. Do fees matter, and what's the average mutual fund fee?
3. If you pay 1% versus 3% in fees, how much of a difference does it make to our final nest egg?
4. Have you taken your broker for a test drive? Have you gone online and seen what your current costs are, how much risk you have in your current investments, and how your current investment strategy has compared over the last 15 years with other simple, inexpensive options?
5. Do you know the difference between advertised returns and what you actually earn?
6. Do you know the difference between a broker and a fiduciary?
7. Are target-date funds your best option?
8. How do you maximize your 401(k), and should you elect to use a Roth 401(k)?
9. Do you have to take huge risks to make big rewards? What are some of the tools that will allow you to get the upside of the market without the downside losses?
10. Have you identified any of the limiting stories or emotions that have held you back or sabotaged you in the past, and have you broken their pattern of control in your life?

Do you have a fiduciary now representing and guiding you? If not, go online and find one at http://findanadvisor.napfa.org/home.aspx or go to Stronghold and review its services approach (www.StrongholdFinancial.com).

If you own a company, or you're an employee with a 401(k) plan, have you taken 30 seconds to check how your fees compare with the rest of the market? Go to http://americasbest401k.com/401k-fee-checker.

If you're a business owner, have you met your legal requirement to benchmark your 401(k) against other comparable plans? Remember, the Department of Labor has reported that 75% of the 401(k)s it audited resulted in an average penalty of $600,000 (www.americasbest401k.com).

Step3: Make the Game Winnable

1. Have you made the game winnable?
    a. Have you found out what your real numbers are? Have you figured out what it's really going to take for you to achieve financial security, vitality, and independence? Have you calculated it?
    b. If not, go back and do that right now. Or if you want to revisit them, go back and do the numbers now or go to your app, where you can keep the numbers in your pocket, and it will be calculated in a few minutes. You can do it in just a few minutes.
    c. Remember, clarity is power. See www.tonyrobbins.com/masterthegame.

2. Once you've got the numbers, did you use your wealth calculator and come up with a plan that shows you how many years it will take in a conservative, moderate, or an aggressive plan to achieve financial security or independence? If not, give yourself the gift. Go to the app and do this now.

3. Have you looked over and made any decisions about the five elements of how you can speed up your plan and achieve financial security or independence even faster?

   d. Save more:
      i. Have you looked at the places you could save? Your mortgage? Daily purchases?
      ii. Have you implemented a Save More Tomorrow Plan so that you don't have to give up anything today, but when you get additional income in the future, you'll save more? Go to http;//befi.allianzgi.com/en/befi-tv/pages/save-more-tomorrow.aspx.
      iii. Have you found something that you could cut down easily in order to increase your saving? Is it the $40 pizza? Is it the water bottle? Is it Starbucks? And have you calculated how much more money you'll have in your Freedom Fund and how much faster you can achieve your goals by doing this? Remember, %40 a week can equal $500,000 over an investment lifetime. You don't have to do any of these if you're already on target, but these are options if you're not yet on target to achieve your financial goals.
   e. Earn more. Have you found ways to increase he value you can add to others? Do you need to retool yourself and switch to a different industry? What are the way you can add more value and grow more so you can give more.
   f. Save in fees and taxes. Have you come up with a way to apply what we've taught you to reduce your fees and/or reduce your taxes?
   g. Get better returns. Have you found a way to invest with greater returns without undue risk? Have you reviewed any of the portfolios that are here that might enhance your earning and protect you from those gut-wrenching downturns in the market?
   h. Change your life – and improve your lifestyle. Have you considered a new location with an even better lifestyle? Have you considered putting yourself in a place where you reduce or eliminate state taxes and then put all of that money toward building wealth and your family's financial security and freedom?

Step 4: Make the Most Important Investment Decision of Your Life

1. Have you decided on asset allocation so that you never put yourself in a position to lose too much? (Not all your eggs in one basket, right?)
2. Have you decided what percentage belong in your Security Bucket and what specific types of investment you'll use to be safe and still maximize returns? Are you diversifying with different types of investment within the Security Bucket? Have you decided what percentage of your savings or investment capital will go in the Security Bucket?
3. Have you decided what percentage belongs in your Risk/Growth Bucket and what specific types of investment you'll use to maximize returns yet still limit your downside as best as possible? Are you diversified with your Risk Growth Bucket?
4. Have you evaluated your actual risk tolerance effectively? Did you take the test developed by Rutgers (http://njaes.rutgers.edu/money/riskquiz)?
5. Have you considered your stage of life an whether you should be more or less aggressive based on the length of time you have to save and invest? (If you're young, you can lose a bit more because you have more time to recover; if you're closer to retirement, you have less time to recover, and perhaps you need more in your Security Bucket.)
6. Have you evaluated the amount and size of your cash flow and whether that will play a role in your level of conservativeness or aggressiveness in your asset allocation?
7. Have you resolved the ratio of Security versus Risk/Growth as a percentage of your overall investments? 50/50? 60/40? 70/30, 40/60? 80/20?
8. Have you come up with a list of short-term and long-term goals for your Dream Bucket that excite you? Do you have to wait until someday in the future, or do you have some things you're going to make happen right away?
9. Have you established a way to fund your Dream Bucket with either a small amount of savings or a portion of the profits of windfalls from successes in your Risk/Growth Bucket?
10. Rebalancing and dollar-cost averaging:
    a. Are you consistently committing the same amount of money to investments regardless of whether the market is moving up or down? Remember, timing the market never works.

b. Are you continually rebalancing your portfolio, or do you have fiduciary doing this for you? Either way, this is crucial to optimizing returns and minimizing volatility.

Step 5: Create a Lifetime Income Plan

1. The power of All Seasons:
   a. Have you taken the time to read, understand, and take action on the powerful insights that Ray Dalio gave us with his all seasons approach? He has brought successful investment returns 85% of the time and lost money only four times in 30 years, but never more than 3.93% to date!
   b. Have you gone to Stronghold and taken five minutes to see what kind of returns you're getting on your current investments compared with all seasons (and other portfolios) or to see what it would take to set up an All Seasons portfolio in minutes?

2. Income Insurance:
   a. Have you done the most important thing of all? Have you made sure that you will not run out of income as long as you live? Have you established a guaranteed lifetime income plan?
   b. Do you know the difference between an immediate annuity and a deferred annuity, and have you selected which might be right for you depending on your stage in life?
   c. Have you reviewed and initiated a hybrid annuity or tapped into the upside-without-the-downside strategy that's now available to anyone regardless of age and without any lump-sum payment whatsoever?
   d. Have you gone online and found out how much future income you could have for as little as $300 a month or more? If not, go to www.lifetimeincome.com or call an annuity specialist at Stronghold.

3. Secrets of the Ultrawealthy:
   a. Have you investigated how to drastically cut the amount of time it will take you to achieve financial freedom by 30% to 50% through the use of tax-efficient life insurance strategies? Remember, PPLI (private placement life insurance) is great for high net worth, but anyone can use the policies offered through TIAA-CREF with minimal deposit amounts. If you haven't yet explored these tools, reach out to a qualified, expert fiduciary today or contact Stronghold for a free analysis.
   b. Have you invested the $25o to set up a living trust so that your family is protected and your assets will go to them without going through a year of probate? Have you protected your wealth not only for your current generation but also your grandchildren and your great grandchildren?

Step 6: Invest Like the .001%

1. Have you taken the time to absorb some of the short interviews with 12 of the smartest financial people on earth, the greatest investors in history?

2. Who is the "Master of the Universe" in the financial world? What kind of returns has he gotten compared with anyone else, including Warren Buffet, and how could you invest with him if you wanted to?

3. What did you learn about asset allocation from Yale's David Swensen? Or J.P. Morgan's Mary Callahan Erdoes?

4. What did you learn from the indexing master Jack Bogle? Or from Dr. Doom, Marc Faber?

5. Did you capture the simple strategy that Warren Buffet now recommends for everyone, including his wife and her legacy trust?

6. Did you absorb the importance of how to get asymmetric returns?

7. Did you absorb the $100,000 MBA that Paul Tudor Jones gave you by never making an investment of less than five to one and always tapping into the power of the trend?

8. Did you check out Ray Dalio's "How the Economic Machine Works –In Thirty Minutes vides? If not, watch it now at www.economicprinciples.org.

9. Did you soak in the concepts of Kyle Bass's solution on investing where you cannot lose money? Remember the poser of nickel? Where investments are guaranteed forever by the US government, and you'll have a potential upside of anywhere from 20% to 30%?

10. Did you take in the core lessons from Charles Schwab, and Sir John Templeton's gift that continues to give of being able to know that the worst environment is your greatest opportunity – to be most optimistic when the world is "ending" like it did in World War II, like it did in inflation in South America, like it did in the Depression, like it did in Japan after World War II? Did you absorb his true core strategic philosophy that made him the first international investment billionaire in history?

11. What actions can you take today to start investing like the .001%?

Step 7: Just Do It, Enjoy It, and Share It!

1. Your Hidden Asset:

    a. Have you connected to the truth that the future is a magnificent place?

    b. It will be filled with exciting challenges. Opportunities and problems are always there, but are you clear that there is a wave of technology that is going to continue to innovate and empower us as individuals and enhance the quality of life for human beings all over the earth?

2. Have you given yourself the ultimate gift – the commitment to be wealthy now, not someday in the future – by appreciating and developing the daily habit of priming your appreciation of what you already have and building on that success?

3. Would you trade expectation for appreciation? And have you committed to a life of progress? **Progress equals happiness. Life is about growing and giving.**

4. Have you figured out what you're here to serve and what the higher purpose is for your life? Have you begun to think about your legacy?

5. Have you decided to convert your pocket change into massive change in the world? If so, **go to www.swipeout.com now, take one minute, and start the process of saving lives while you enjoy your own.**

6. Are you embodying the truth that makes you wealthy in this moment: the secret to living is giving?

This is an overview checklist for maximizing the sessions we've held. If there's anything you've missed, give yourself the gift of going back and absorbing it and also remember, **repetition is the mother of skill. Action is where all your power is found.**