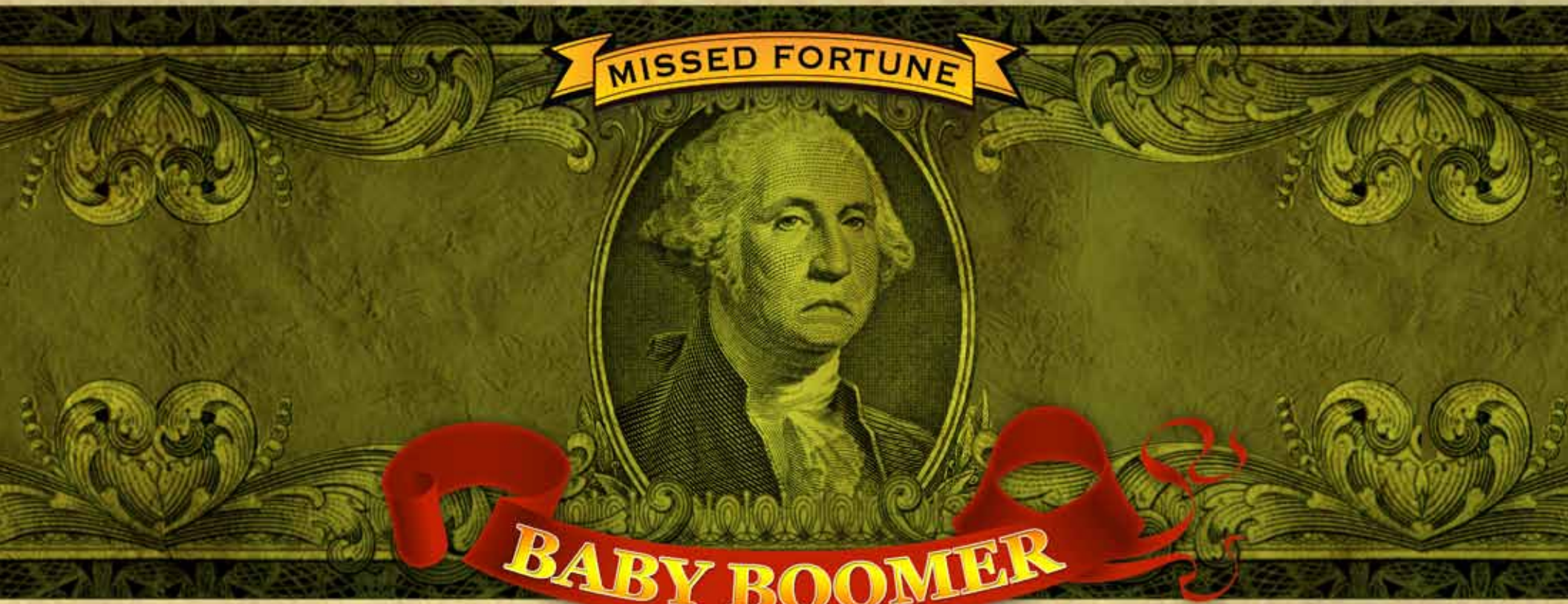
BY DOUGLAS R. ANDREW



BABY BOOMER BLUNDERS

TEN FINANCIAL MISTAKES YOU CAN CORRECT BEFORE IT'S TOO LATE

YOU CAN ACHIEVE FINANCIAL INDEPENDENCE AND RETIRE IN DIGNITY

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Baby Boomer Blunders
Ten Financial Mistakes You Can Correct
Before It's Too Late

So you can achieve financial independence
and retire in dignity

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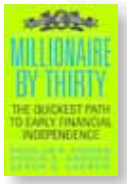


Millionaire by Thirty:
The Quickest Path to Early Financial Independence

TABLE OF CONTENTS

The Problem ..... Page 1

Overcome Baby Boomer Blunders ..... Page 3

Why Baby Boomers Are Lax About Planning for Retirement ..... Page 4

If Only Baby Boomers Could See Things Differently ..... Page 5

Blunder #1: Using short-term investments for long range goals ..... Page 6

Blunder #2: I will probably only live for fifteen or twenty years after retirement ..... Page 7

Blunder #3: I believe paying off my house will give me peace of mind ..... Page 8

Blunder #4: My $100,000-$300,000 nest egg is going to be enough at retirement ..... Page 10

Blunder #5: I'll be in a lower tax bracket when I retire ..... Page 10

Blunder #6: Deferring taxes on retirement funds saves me taxes ..... Page 11

Blunder #7: IRAs and 401(k)s are the best way to save for retirement ..... Page 13

Blunder #8: If I reach the age of 59½ or 70½ and don't need my IRA and 401(k) money, I'll just let it sit there ..... Page 14

Blunder #9: I view retirement as a time for finally doing what I've always wanted to do ..... Page 15

Blunder #10: I think of retirement as a time to coast ..... Page 15

Understand the Three Lodging Places for Money ..... Page 17

Understand the Three Marvels of Wealth Accumulation ..... Page 19

How The Last Chance Millionaire Will Help in Your Retirement Planning ..... Page 21

About The Last Chance Millionaire ..... Page 22

About the Author ..... Page 23

"If we take a late retirement and an early death, we'll just squeak by."

Is that scenario a little too close to home to get a laugh out of you? If so, you've got plenty of company. Whether everyone will have enough money to retire is a question that looms large today for 78 million Americans—the Baby Boomers born between 1946 and 1964. The crisis? Most Boomers will not have enough accumulated for retirement to meet their needs, let alone their wants.

THE PROBLEM? The average Baby Boomer has less than $50,000 accumulated for retirement (which means many have less than that), primarily due to bad habits and having money invested in the wrong places where economic downturns can diminish their nest egg. The solution? Social Security isn't the answer. Taking ownership is the answer—through asset optimization and equity management with proper financial planning.

When it comes to planning for retirement in these tough economic times, it's apparent that many Boomers are confused. They feel isolated. They feel powerless. Many fear that it's too late to plan for a comfortable retirement. Many are concerned that they haven't saved enough—that they may outlast their retirement resources. Many have seen their retirement accounts decrease in value by thirty percent or more during the last few years. Because of lower rates of return, many are concerned that their nest eggs are draining faster than they had anticipated. What's more, many are worried that taxes, inflation, and the costs of health care will quickly deplete what they have set aside. Even worse, some Boomers are being faced with a "forced retirement" as companies layoff workers to cut costs during the recession. Still others

were counting on downsizing their residence by selling it, buying a less expensive house and then augmenting their retirement nest egg with a portion of the equity from their former home. Many have witnessed that equity diminish greatly or vanish completely and they realize that their house is not nearly as marketable as it was a few years ago.

Take ownership of your financial future.

How about you? Do you share any of these concerns? If so, the strategies outlined below can help. (For those who want more detail, the strategies are explained in full detail in my book, The Last Chance Millionaire). Those of you who are fearful that it is too late to prepare adequately for a comfortable retirement will experience new hope. There are home equity retirement-planning options—even in a poor real estate market—that can help you overcome the barriers to a comfortable retirement. Furthermore, those of you already in a state of financial independence can experience a meaningful transformation by learning about even more opportunities you didn't know existed. Those with money trapped in IRAs and 401(k)s can complete a strategic roll-out and possibly save up to $60,000 a year in unnecessary tax as you prepare to retire.

The concepts that I teach show you how to take ownership of your financial future. You can make your retirement savings soar—by having your money work harder for you, without you having to work harder for your money. It won't matter that you started late; you'll fly above the others who are still grounded, not knowing how to take off. You will discover a new route that will lead you beyond just getting by—toward a better life of wealth, comfort, and abundance. Yes, your last chance may indeed be your best chance to becoming a millionaire!

OVERCOME BABY BOOMER BLUNDERS

WHY ARE MANY Boomers facing a crisis as they approach retirement? Because we have all had plenty of time to make every financial blunder under the sun. The biggest blunder for some is not squirreling away enough money during the prime of our work life so we can relax and enjoy that bounty later on.

"As many as 40 percent have saved almost nothing," one expert told a Congressional panel recently. These people will not have enough to meet their needs in their golden years, let alone their wants.

While my clients tend to be more affluent than the average Boomer, it surprises me when I hear reports that on the average, Boomers only have about $50,000 accumulated in retirement savings.

How did this happen? It's usually because of a mixture of bad habits and one-size-fits-all financial advice.

As my friend Dan Sullivan, author of The Laws of Lifetime Growth, teaches, "All progress begins by telling the truth." So, how many of what I call "Baby Boomer Blunders" apply to you?

- I have saved only 1-3 percent of my income, instead of 10 – 20 percent.
- I have borrowed to consume, rather than to conserve.
- I have paid off my house by sending extra principal payments to the mortgage company and now my house has gone down in value.
- I would love a vacation condo or cabin—but I can't afford one yet—I'm waiting until I retire to buy it.
- I have bought and sold investments at the wrong time.
- I have not matched the right investment vehicles with my objectives.
- I have tried to time the market to get ahead faster.
- I am at risk in the market, rather than linking my investment returns to the market to preserve safety of principal.
- I have paid too much for insurance, rather than letting Uncle Sam pay for it.

- When I focus on my comprehensive balance sheet, I concentrate on the least important category—money, versus the most important assets—my family, health, and values.
- I'm not sure I understand compound interest, tax-free accumulation, and positive leverage, the "the three marvels" of wealth accumulation.
- After working for forty years, I'm wondering what it was all for.

Let's spend a bit more time on the background behind most blunders.

Why Boomers Are Lax about Planning for Retirement

RAISED AFTER WORLD WAR II, Boomers bring to their mature years a different set of experiences than those of their parents. Many of their parents grew up during the Great Depression where they learned hard lessons about how money could disappear in a flash. Boomers have lived through an era of unprecedented prosperity, easy credit and quick gratification. Most never really felt they had to put a nest egg away. They tend to have the attitude: "If I want something, I buy it. If I can't pay cash, I'll finance it. I'll worry about tomorrow when tomorrow comes." Having witnessed how the government bails out failures such as AIG, the mortgage industry, or the automobile industry, they figure government will always be there to bail them out.

This false sense of security is the reason that it comes as such a shock when entire communities find themselves without jobs because of the shifts in the global economy or the mistakes of big business.

Older Boomers have been brought up short by scandals, downsizing, outsourcing and economic upheaval. Younger Boomers are beginning to realize security is not in a job—it's in an individual's unique skills and the ability to stay marketable.

The result is that older Boomers think it might be too late to catch up, while younger Boomers think there is still going to be enough time to save something. (In theory there is still time.) However for too many Boomers, spending is a way of life; saving is not.

Did you know that wealthy people are often quite tight with their money? For example, many cut corners on non-essentials every single day and are cautious about their spending.

In The Millionaire Next Door, Thomas J. Stanley and William D. Danko documented the common money-saving techniques millionaires use to reduce their monthly expenses. For example, 57 percent of the millionaires he surveyed said they saved money by doing a simple thing like raising the thermostat in the summer so the air conditioner didn't have to work so hard (and cost so much!).

There are dozens and dozens of things wealthy people do that middle class and lower class people don't do. They literally watch every penny. They know where their money goes. Overburdened middle class people and poor people often have no clue where their money really goes.

If Only Boomers Could See Things Differently

Often aging brings inevitable physical decline, which may curb how long a person can realistically stay on the job. Yet many have not reached the point where their health starts to go downhill, forcing them to deal with this personal financial apathy. "I'll deal with a crisis when it happens," they say to themselves.

But financial crises can and do happen as we have witnessed just recently. It's what we do after the crisis that counts. Have you seen how people react when adversity hits home? Have you known someone who reacted to downsizing by thinking: "Why won't someone hire me with my vast experience?" I think it would be a sad era, indeed, if 78 million Boomers, loaded with wisdom and experience, are put out to pasture thinking they don't have anything of value to contribute during their golden years. If they only knew how to package that wisdom, the world could respond with all kinds of compensation.

Those with determination and resilience are sometimes able to knuckle down, perhaps take courses in a new field, and get new jobs. Those who don't? They act lost. Many get depressed. One fellow I know used to work for a company that was a member of the Fortune 1000. Then came shrunken profits, belt-tightening and layoffs. After he was let go, he tried real estate, furniture sales and other occupations,

but he walked around angry at the world. His marriage fell apart. He lost all of his self-esteem.

Another person I know had a great corporate job. When he lost it a few years ago in a merger, he began selling medical supplies. He's earning one-third what he did before. It took him three years to come to the realization that he had not developed any other marketable skills. The skills he did possess had become obsolete.

Anyone faced with such a situation can get frustrated. Worse, they can end up spending all the money they stockpiled; while they seek new employment, their nest egg gets gobbled up.

No one wants to look on the minus side of the ledger, yet none of us wants to be caught short by nasty surprises, to watch helplessly as inflation, downsizing, or some other event beyond our control eats away at our pensions.

Now let's dig a little deeper into the psychology that drives specific blunders.

Blunder #1: Using short-term investments for long-range goals; and long-term investments for short-range (less than five years) goals.

This may be the biggest mistake I come across in well-intentioned families.

Numerous people come to me holding retirement funds in Certificates of Deposit, money market accounts, and other short-term investments, earning a dinky interest rate. Yet they don't plan to touch this money for five, ten, or even fifteen years. Savings vehicles such as CDs and money market accounts are short-term investments, best used like those short-term parking lots at the airport—convenient places to park your money for a brief stay.

If you get 3 percent on a taxable investment like a CD or money market fund, you will probably net about 2 percent; even if you get 5 percent, you net about 3 ½ percent. That's fine for money you plan to access in less than five years, but it is not a great idea for your retirement nest egg.
Conversely, in the 1990s people were tucking away huge

amounts of money in mutual funds, which are long-term investments. It seemed to make sense because returns were very good, over time.

In fact, you could have thrown a dart at a dartboard made of mutual fund newspaper listings in 1990, bought the first ten you hit, held them for ten years prior to the market crash of 2001, and you could have achieved 12.9 percent average annual return on those mutual funds. However, the average investor did not get 12.9 percent; he or she actually got 2 or 3 percent for those years, because most people only held them for 2.9 years.

According to Dalbar and Morningstar, two of the leading ranking services for the mutual fund industry, the average mutual fund investor gets antsy after a few years and pulls money out of what is really a long-term investment to buy a car, RV, ATVs, or jet skis.

Too many people use a long-term investment such as a mutual fund as if it were a drive-up window at the bank or credit union. They're using put-and-keep accounts for put-and-takes, and vice versa.
If you just muttered, "Oops," please don't get too upset with yourself, your spouse, your parents or your friends. Everybody commits this blunder at one time or another. I'll show you that neither this blunder nor these other common misconceptions need to cast a permanent shadow over your retirement.

Blunder #2: I will probably only live for fifteen or twenty years after retirement.

The fastest growing new segment of American society today is those people over the age of 100. People in every segment, no matter the race, ethnicity or gender, are living longer than they thought they would.

When Social Security first started, the average life expectancy for someone already age 65 was about another 12½ years. Now it is over seventeen years. Your parents might have lived into their seventies or eighties, and often that conditions a person to think of themselves as having the same life expectancy. Mention the age 85, 90 or 95 to people, and they might think: "I'll be dead by then."

Well, I have a lot of clients who are still alive and kicking,

even though they assured me they would be dead by now. And these are not even Baby Boomers!

If this is true for my seventy- or seventy-five-year old clients right now, imagine what's going to happen among Boomers who are just around the corner from 60. A longer life expectancy is on the horizon for them, and even longer for their children and grandchildren. The mortality experts are saying that a baby girl born right now has a possible life expectancy of 137 years!

Life insurance companies have had to revise their mortality tables. Once upon a time in the not too distant past, they assumed that rarely would anybody live beyond age 95. As a result, life insurance policies endowed at age 95, and anyone living beyond that triggered a taxable event. Eventually, not only were the mortality (life expectancy) tables revised, but so was the tax code. Recently the mortality table was updated to protect the tax-favored treatment of life insurance, allowing life insurance policies to endow at age 120. There is already talk of increasing it to 140!

The problem with underestimating your own life expectancy is you often underestimate the amount of retirement funds you will need to last the rest of your life. The reality is, you will likely need more money than you think.

Blunder #3: I believe paying off my house will give me peace of mind.

The concept that a house must be paid off is one we have learned from parents who went through the Depression, when loans and mortgages were called due even though they weren't delinquent. In those days, it was important to get rid of mortgage interest. People were so happy when they made the final payment, they would throw a party and burn the mortgage.

Perhaps you have heard echoes of this from the previous generation. What you don't hear is that once you pay off your mortgage, you won't have mortgage interest to deduct

from your income taxes. The result is that you lose a crucial tax break, and you kill your best partner, Uncle Sam.

Instead of peace of mind, you have a new worry—because you have lost this deduction, you jump to a higher tax bracket. Yes, you have an immediate addition to your spendable income if you are not writing a check each month to the bank. But there's a hitch. Uncle Sam offers that deduction to encourage home ownership. If you don't pay that interest now, you'll pay a bundle of money in extra income tax as April 15 rolls around.

Those who pay off their mortgage begin to realize within a year or two that they could use a new tax break. They also discover that by handing over all that money to the bank, there's a lot of lazy, idle cash stashed away in that paid-off house.

In the past few years, as the cost of homes shot upward, many of my clients had an epiphany without me having to prod them. "I don't care if it's paid off when I die," they say. "My money is trapped in my house." Then when the real estate market went south, many realized that one of the worst places to trap your money is in your house when it goes down in value.

Later, I will address how to put those lazy, idle dollars to work for you in a tax-favored environment so when the real estate or the stock markets go down, you can position yourself so that you don't lose a dime. Also, keep in mind that the money you use for home mortgage payments creates a major, legal tax deduction.

"But what about leaving the house to the kids?" you ask. "Isn't that our legacy? Shouldn't we bequeath them a paid-off home?" I say the kids who really care about you want you to enjoy your money. Those kids concerned about getting the house after you die, more often than not, are the ones who probably would sell it and spend all the money they get for it within six months.

Blunder #4: My $100,000-$300,000 nest egg is going to be enough at retirement.

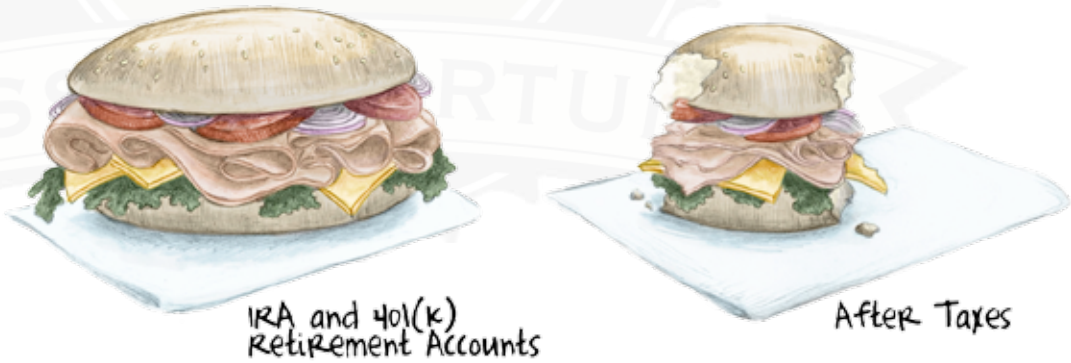
This is the flip side of the people who have saved almost nothing. I have clients who start out thinking: "We're set—we've saved up $300,000." The problem is that at age 65, you can quickly begin to deplete that nest egg if it is parked in an investment or bank account that is earning only 6 percent.

That 6 percent amounts to only $18,000 a year, or $1,500 a month. Chances are, you're going to need more than that. Perhaps you need at least double—say, $36,000 a year—and you now realize you probably will live to age 85 or 90. You will be dipping into your principal almost immediately. When you do the math, you realize your nest egg will dwindle rapidly.

Consider this. Even though half a million dollars may seem like a ton of money, at 6 percent interest, it is only going to provide 8½ years of income for someone used to living on earned income of $6,250 a month ($75,000 a year). Suddenly that nest egg looks more like one laid by a parakeet than by the golden goose.

Blunder #5: I'll be in a lower tax bracket when I retire.

There's a nasty surprise awaiting those who think this way. If you are expecting a pension, and you add Social Security and a piece of a qualified plan such as an IRA or 401(k) to it, your taxable income as a retiree probably will be as high as it was before you retired. But you will have fewer tax deductions to offset that income, because you will no longer be putting money into those tax-deferred IRAs or 401(k)s.



In addition, you may no longer have dependents at home, for whom you were entitled to a tax deduction. If you insisted on paying off your mortgage, you no longer can deduct its interest payments either.

Add it all up. If your income stays the same, or even if it drops from $75,000 to $60,000, you don't have the $15,000 in deductions that you used to get. So you remain in the same tax bracket you were in before retiring—but because you must pay the extra tax, you wind up with fewer dollars to spend.

If you think this sounds wrong, go ask your retired mom, dad or friend whether their taxes dropped once they left their jobs. A business acquaintance did this, and his mother, a former teacher, replied, "Son, I am paying taxes up the wazoo. I pay more in taxes now than I ever did, and my income is less."

Blunder #6: Deferring taxes on retirement funds saves me taxes.

For years tax consultants have said if you use 100-cent dollars on the front end—that is, if you put the money you earn as a younger person into tax-deferred plans such as IRAs or 401(k)s—you'll have a bigger nest egg on the back end, when you retire. However, if that nest egg is taxable you can still run out of money!

It's true that $150,000 in pre-tax money can double in a tax-deferred account to $300,000 in ten years at 7.2 percent. It looks as if that's better than using already-taxed dollars (66.6-cent dollars, if you are in the 33.3 percent income tax bracket). If you take the same $150,000 and pay tax on the front end, it amounts to only $100,000 of seed money, and when that doubles, it only grows to $200,000 to harvest on the back end. So the illusion is that you have $100,000 less in an account that is funded with after-tax dollars.

What the consultants often don't explain is that you will have to pay taxes on the full $300,000 tax-deferred nest egg

on the back end. Once you do, you net the same amount of money. That means that $300,000 less 33.3 percent in tax will net you $200,000. There is no difference between funding a retirement account with after-tax dollars or pre-tax dollars, assuming the same tax bracket and provided that the account funded with after-tax seed money accumulates tax-free and stays tax-free when you withdraw the gain. But people have the misconception that because it grows to a bigger number in a pre-tax account, that's better. The mentality is: "Get a tax break today, and we'll have more money."

Are you planning your retirement or Uncle Sam's?

If you have already understood Blunder #5, you realize that it is a misconception to think that in retirement you will be in a lower tax bracket. If that is not true, why postpone taxes? Get taxes over with by paying on the front end.

Now what if you could set aside 100-cent dollars on the front end and take out 100-cent dollars on the back end? Your nest egg can last into perpetuity. Don't think that's possible?

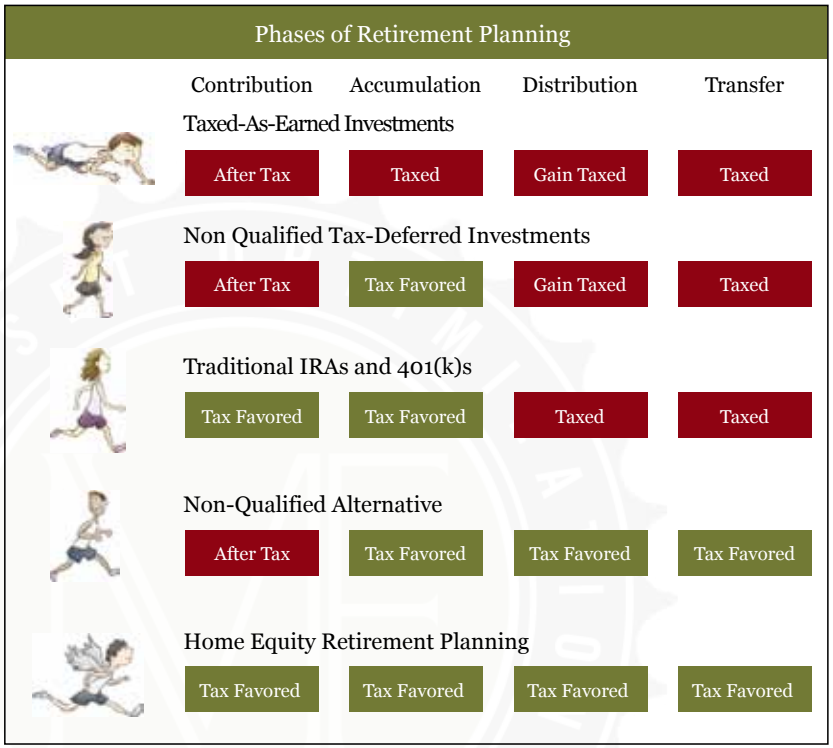
For years I've been helping clients by combining several strategies wherein you can create a retirement fund using 100-cent dollars (tax-advantaged dollars) on the front end and then withdraw 100-cent, tax-free dollars on the back end. (These strategies are explained in detail in my various books.) I prove that this approach can give you 50 percent more net spendable retirement income than traditional retirement accounts. Or, it could allow you to take an income stream into perpetuity, compared to traditional accounts that would probably run out of money—long before you die—based on the same income distributions.

Blunder #7: IRAs and 401(k)s are the best way to save for retirement.

The retirement savings vehicle that can last into perpetuity that I just hinted at is NOT an IRA or 401(k). I want to demolish the myth that tax-deferred plans such as Individual Retirement Accounts (IRAs) and 401(k) company retirement plans are the best kind of strategies to use in saving for retirement. They're okay, but they're likely to crash and burn (become depleted) before you die.

Yes, these plans offer tax-deferred savings. But tax-deferred does not mean tax-free. What it usually means is that while you don't pay income tax on that money when you first put it away, you're going to get clobbered on the back end.

At what pace do you want your money to grow? Would you prefer it to crawl, walk, jog, or sprint toward your retirement goal? Metaphorically speaking, American taxpayers have these basic options for the pace of savings. How those savings are taxed makes a huge difference in the pace, and thus in the amount you wind up with for your golden years



If you were a farmer, and you had this choice, which would you rather do? Save taxes on the seed you bought in the springtime and pay tax on the sale of your harvest in the fall? Or would you rather pay tax on the seed and sell your harvest without any tax on the gain?

I would rather pay for the seed with after-tax money, and then reap the harvest tax-free. Yet millions of otherwise pru-

dent Americans are choosing to save taxes on their seed—their contributions to IRAs and 401(k)s. When they start to withdraw money as they retire, they are faced with a huge tax hit when they want to reap the harvest.

Uncle Sam now offers you another choice—Roth IRAs and Roth 401(k)s. Using these plans, you contribute the seed money with after-tax dollars, watch your contributions grow, and then harvest the gain in retirement tax-free. I believe Roths are a step in the right direction, but there are still too many strings attached.

In my books, I go into considerable detail on these often misunderstood and confusing retirement plans. For the purpose of this eBook I hope you will keep your mind open to the possibility that there might be smarter alternative advice about IRAs and 401(k)s than you have received from your CPA, your investment advisor or your company benefits department.

Keep Your Mind Open To The Possibility That There Might Be Smarter Alternatives

Blunder #8: If I reach the age of 59½ or 70½ and don't need my IRA and 401(k) money, I'll just let it sit there.

People tend to think they should postpone pulling money out of tax-deferred accounts. They believe they really will have much more money if they let most of their money stay there rather than transferring it out somewhere else. Postponing tax to future beneficiaries is often referred to as a "stretch" IRA. Most financial advisors recommend you take out only the minimum amount at the age of 70 ½, which is the deadline before Uncle Sam starts charging you a big penalty. If you don't take minimum distributions based on their formula, the IRS assesses a 50 percent penalty on top of the income tax!

I think taking only the minimum out of IRAs, whether at your first opportunity when you reach 59½ or postponing until age 70½ is a bad idea. It's like refusing to change the oil in your car when it could have cost you $30 to $50, and driving it several thousand more miles until you pay big time with a major engine repair. You are delaying the inevitable and making the problem worse. You can either pay the IRS now, or you can pay them considerably more later.

Those financial advisors don't understand that they can reposition retirement money so it's tax-free from today forward. Almost daily, our firm proves to clients that it can be far more advantageous to withdraw the money, get the tax over and done with, and put the funds into something tax-free from that point forward.

Most advisors also don't understand that you can strategically counterbalance your tax and get money out with substantially reduced or totally offset tax by using mortgage interest offsets through a three-part strategy that I call "a strategic rollout." (For more information on strategic rollouts, please refer to Chapter 5 of Last Chance Millionaire or Missed Fortune 101.)

Blunder #9: I view retirement as a time for finally doing what I've always wanted to do.

Activities such as cultivating hobbies, visiting the grandchildren, or working part-time are among the rewards of retirement. Wouldn't it be better to do the things you want to do sooner, rather than later? I have watched a lot of clients who spend so much of their lives scrimping and saving so that when they arrive at retirement, they have a hard time letting loose and spending it.

Whatever their dreams were, they continue to harbor a conservative attitude when they retire. They are afraid they won't have enough. They feel guilty about spending and enjoying what they earned. Or they finally reach retirement but have lost their good health and can't do the things they promised themselves. Do keep in mind that as you get older, you may lose the energy or the desire to go globetrotting and doing all the other things on your list. I am big on stopping to smell the roses along the way.

Blunder #10: I think of retirement as a time to coast.

I think too many people have the attitude: "I can't wait until I can coast." The word "retire" means to put out of use. I don't ever want to be put out of use, and I want to dispel the idea that at retirement you will be put out of use.

Boomers need to prepare themselves to redefine their lives

so when they retire, they are simply shifting gears, not putting the transmission into neutral. In fact, if Boomers start preparing for retirement in the right way, they can shift gears into the most profitable growth stage of their lives.

Colonel Harland Sanders, who was the founder of Kentucky Fried Chicken, didn't open his first franchise until age 65—and it wasn't in Kentucky. The first KFC opened in Salt Lake City, Utah, in partnership with Pete Harman who owned and operated the Dew Drop Inn restaurant. By the time Sanders was age 80, he was wealthy and famous with franchises located all over the world.

My wife, Sharee, and I have a tradition of spending a week celebrating our wedding anniversary every February in Maui, Hawaii. A "must do" on every visit includes getting a macadamia nut ice cream cone from a Lappert's Ice Cream shop. Walter Lappert tried to retire quietly on Kauai at age 70, but ended up starting a bonanza of an ice cream business. The first batch was produced on December 21, 1983, and today tens of thousands of gallons are made monthly with over 100 flavors. Walter Lappert passed away in 2003, but his ice cream legacy lives on and is managed by his son Michael.

People need to realize that their only usefulness is not just assembling widgets. Start now to discover your marketability. A lot of people I know have become consultants, creating a market for their hard-earned wisdom. I have a friend who was an excellent oral surgeon, but he developed a tremor and could no longer practice. He became a consultant to other oral surgeons. Another, a cosmetic dentist, teaches numerous other dentists how to add value to their practices. Another who worked for a major company became a part-time consultant to businesses. During the last five years, his former employer and others are paying him more than when he worked full time. He spends half his time riding around the country in a motor home. He's happier and healthier than ever, making himself necessary every day, with less stress.

If you can figure out how to continue to contribute to society—to keep creating value—the world will often reward you for that usefulness. Just like a honey bee, when it goes about collecting nectar, is unaware it is cross-pollinating the botanicals, new life will blossom around you as you go about being useful.

Whether it's your business acumen, your life experiences, or even a simmering talent for music or art that has been on the back burner—this is the time to share what you have within. Sometimes, simply immersing yourself in voluntary service for your church or a charitable foundation such as a hospital can be extremely rewarding.

Uh-oh. I've Done Everything Wrong! I Won't Be Able to Catch Up.

If these blunders and misconceptions sound familiar, you're definitely not alone. But one aim of this eBook is to reassure that it's not too late to learn how to make course corrections and start navigating in the right direction. You can overcome, even prevent these blunders. Following are two critical concepts to help put you on that better path.

1. Understand the Three Lodging Places for Money

The money that people set aside and accumulate for long-range goals needs to have a lodging place where it can reside safely. There are three categories of repositories where people store their money for investment purposes based on their risk tolerance:

- **Low risk**—The first category is generally perceived as the safest and most conservative and includes money market accounts, certificates of deposit, bonds, annuities, and insurance contracts.
- **Moderate risk**—The second category is comprised of real estate—both residential and commercial. Most real estate investments pose moderate risk.
- **High risk**—The third category is comprised of stocks and would include investments like growth mutual funds. This category is generally viewed as having the greatest risk.

Whenever people lose confidence or patience in any one of the three categories, they begin to move their money to one or both of the other two categories. For example, in the early 1980s people kept their money predominantly in bonds, money markets, CDs, annuities, and life insurance contracts. Many investors also parked their money in real estate. Most people at the time didn't trust the stock market, but they gradually warmed up to it.

By the 1990s, a lot of money transferred to the stock market from more conservative investments. From 1980 until 2000, America experienced the largest run-up in stock market history. However, the worst three years in stock market his-

tory up to that point (by percentage loss and by dollar loss) occurred from the spring of 2000 to 2003. At that point, a lot of people began transferring their money to real estate, bonds, annuities, and life insurance contracts.

As you can see, money has to find a lodging place, and it tends to migrate among the three repositories, depending on market conditions.

With this in mind, the essence of the financial strategies I use allow people to safely take advantage of all three lodging places while maintaining liquidity and safety of principal, and earning an attractive rate of return.

There is a way you can have ownership in your home or other real estate (the middle lodging place) without much or any of your own cash tied up in it. In other words, through safe leverage you can "double-dip" by experiencing returns in real estate, without having your own money directly involved.

Your home and other real estate may fluctuate in value, but it won't matter. You can make money when your house goes up in value, and continue to make money (without losing what your house once gained) if it goes down in value.

Likewise, you can use leverage safely to achieve great rates of return that are linked to a stock index (the third lodging place), while your money is actually not at risk in the stock market. Your cash can be invested safely in conservative investment vehicles (first lodging place) that will compound in a tax-advantaged environment, where it is accessible and safe, employing the three marvels that I'll introduce in a moment. You can have the best of both worlds: take advantage of the upswings in the stock market or real estate market, without your principal at risk actually in the market.

When I invest my serious cash that is earmarked for my retirement, I want to make sure I can get maximum results with minimal risk. If things happen in the world over which I have no control, I want the principal of my investments safe. Then if the big, bad wolf (hurricanes, floods, tornadoes, fires, terrorist attacks, market crashes) blows down the structures that house stocks (houses made of straw) and real estate holdings (houses made of sticks), I won't lose—because my money resides in a house of bricks. What's more, if houses of straw or sticks withstand periods of calm weather

and appreciate in value, I can participate in that growth without my money actually lodged there.

How can this be accomplished? I keep my home equity separated from my house and repositioned in maximum-funded, equity-indexed universal life insurance contracts.

I also sock away money earmarked for retirement savings into the same insurance contracts rather than into traditional retirement savings accounts like IRAs and 401(k)s. Indexed insurance contracts allow me to participate indirectly when the stock market goes up (without my money at risk when the market goes down) by having my returns linked to an index such as the S&P 500 Stock Index. Properly structured, maximum tax-advantaged life insurance contracts are the only investment vehicles that: 1) accumulate money tax free, 2) allow tax-free access (including the gains) to money for retirement income, and 3) transfer any remaining funds upon death income-tax free. You can learn how and why by reading The Last Chance Millionaire. And you'll probably sleep better at night as a result. Go to www.MissedFortune.com/DVD to see how most people obtain a free copy of my book, The Last Chance Millionaire, which became a New York Times best-seller the week after it was released. To take advantage of the special DVD offer, you will need to use the purchase code "DOUG".

2. Understand the Three Marvels of Wealth Accumulation

The secret to optimizing your assets is not really a secret at all. The three marvels of wealth accumulation can supercharge your money, making it grow exponentially even if you are fearful that you won't be able to catch up in time for retirement.

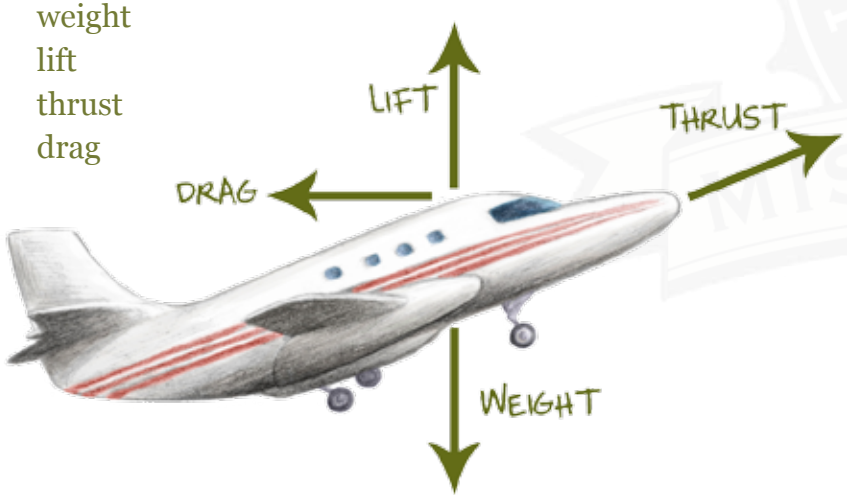
The keys are:

- the magic of compound interest
- the magic of tax-favored accumulation
- the magic of safe, positive leverage

These three are not really magic acts. Like the concepts of lift, thrust, and drag in aerodynamics, these principles have always been around, but not necessarily understood. Once you grasp the power of these three marvels, you will readily see that just as lift, thrust, and drag make planes fly, these three concepts can make your retirement funds soar.

For a bird, airplane, or any other object to fly, four forces all play a part:

- weight
- lift
- thrust
- drag



Weight is the natural force that pulls a plane toward the earth. To fly, you must overcome weight (or gravity) with an opposing force (lift). In finance, I compare weight, or the pull of gravity, to taxes and inflation. To gain altitude, you must overcome the forces of taxes and inflation.

Lift is the force of air flowing over and under the wings of a plane that acts on the wing to move it upward. I compare lift to the power of compound interest. The difference between simple and compound interest can be the difference between paying hundreds of dollars on a simple interest, declining balance that may be tax-deductible (as in an amortized mortgage), versus thousands of dollars (your separated home equity) climbing exponentially in a side fund with compounding interest. Thanks to the power of compound interest, you can catch up—not in an instant, but more quickly than you may think. You can become your own banker by doing what banks and credit unions do to amass wealth—borrow money at a lower rate and invest it at a higher rate.

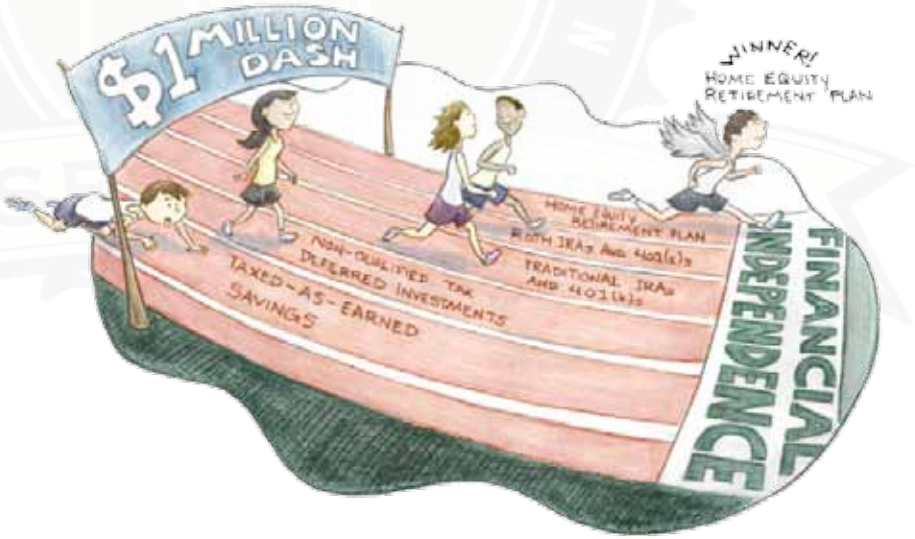
Thrust is the force created by the engines and propellers that pushes the plane forward. In order for a plane to fly, the thrust force must be greater than or equal to the drag force.

I compare thrust to the power of tax-favored accumulation. Tax-deferred accumulation is a powerful propeller engine, but tax-free accumulation is like a more powerful jet engine. And, in The Last Chance Millionaire, I teach the reader about home equity retirement planning in which you can invest 100-cent dollars on the front end, let the funds accumulate tax-free, and withdraw 100-cent dollars on the back end (at retirement). This type of plan can save hundreds, thousands, sometimes millions of dollars of tax, and can last into perpetuity. Compare this to a traditional IRA or 401(k) that will become depleted in ten to fifteen years based on the same retirement income stream.

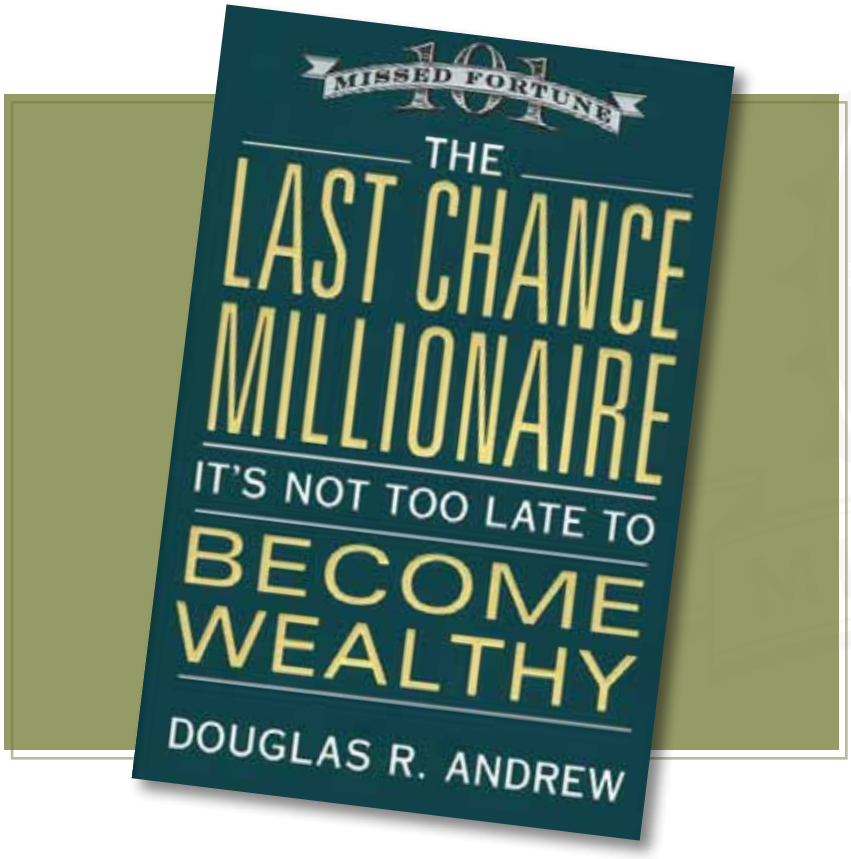
Drag is the force of resistance caused by the body of the plane that slows down its thrust, or forward motion. It's the most misunderstood principle, both in flight and in wealth accumulation. I compare drag to the power of safe, positive leverage—using Other People's Money (OPM), such as a loan or a mortgage from a bank. To make your wealth take off, you need something that most people think of as "a drag" (in the slang definition of that word). That something is paying interest. "Drag" in my vocabulary is good and vital to wealth accumulation. If you read The Last Chance Millionaire, you'll grasp how drag works—not to slow you down, but to make your money climb more speedily—and you will be ahead of 99 percent of your peers.

How The Last Chance Millionaire Will Help in Your Retirement Planning

I know many of you are feeling the "darkness of night" as you look toward your retirement years. You have probably already realized that if you keep doing what you've always done, you'll keep getting what you've always gotten. Rather than letting you stay in that rut, I want to bump you out of it to reveal the "brightness of day"—your brilliant future—full of peace, abundance, and prosperity.



The Last Chance Millionaire will give you new direction. It will instill greater confidence for your future. By utilizing creative asset optimization and equity management strategies, you will be endowed with new capabilities. You will feel empowered to prepare adequately for a comfortable retirement. You can achieve financial independence, and you can do it now!



Author' Note:

By using the asset optimization, equity management and wealth empowerment strategies explained in The Last Chance Millionaire, a typical Baby Boomer homeowner with some money accumulated in IRAs and 401(k)s and some discretionary income each month to set aside for retirement purposes can possibly double his or her net spendable retirement income within ten years. Through case studies in the book, you'll likely be able to relate your particular circumstances to one of four couples featured: Clark and Carrie Centsible, Frank and Felicia Faralong, Ed and Elizabeth Eager, or George and Gail Gainsworthy. You'll clearly see the darkness of the night if these couples were to keep doing what most people do, compared to the brightness of their future if they were to reposition their assets for greater liquidity, safety, and rate of return without increasing their monthly cash outlay. The Last Chance Millionaire can give you new direction, confidence, and capability to become financially independent and accumulate a million dollars or more that can generate $70,000 of annual net (tax-free) income that can last as long as you do.

Again, you may go to www.MissedFortune.com/DVD to see how most people obtain a free copy of my book, The Last Chance Millionaire. Remember, to take advantage of the special DVD offer you will need to use the purchase code "DOUG".

About the Author

Douglas R. Andrew has extensive experience in business management, economics, accounting, gerontology (as it relates to the economics of aging), financial and estate planning, and advanced business and tax planning. Doug helps people find their missed fortune using his asset optimization, equity management, and wealth empowerment strategies. His first two books, Missed Fortune and Missed Fortune 101, are national bestsellers. The Last Chance Millionaire became a New York Times bestseller in 2007. His most recent book, Millionaire by Thirty, written with his two sons, Aaron and Emron Andrew, was released in May of 2008. As a financial strategist and retirement specialist, Doug shows people how to accumulate money on a tax-favored basis to achieve the highest possible net spendable retirement income. His passion is teaching people how to successfully manage equity to enhance its liquidity, safety, and rate of return, as well as maximize tax benefits. Doug also specializes in helping people optimize not only financial assets but also the Core, Experience, and Contribution assets – comprising "True Wealth" – on the family balance sheet.

Douglas Andrew is a masterful communicator with the unique ability to take complex strategies and make them simple to understand through the use of powerful metaphors. Doug is a nationally recognized speaker and teaches the Missed Fortune True Wealth Transformation strategies in public seminars throughout America, as well as through TeleSeminars and Webinars. He has developed a nationwide network of financial professionals referred to as The Equity Alliance Matrix (TEAM). TEAM members are trained with more than fifty hours of intensive instruction and study on asset optimization, equity management, and wealth empowerment.