The Smart Federal Employee's Guide to Financial Planning

Get Better Benefits, Keep More of Your Money, and Protect Your Financial Future

By

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Introduction

Congratulations on taking the time to read this book. Unlike most books about personal finance, this one doesn't have a lot of numbers. Those books have already been written.

What hasn't been written about enough is the role common sense plays when it comes to money.

As humans, we struggle with common sense. We are naturally wired to avoid pain at all times. This survival mechanism often makes doing the prudent thing somewhat difficult.

In this book, you'll learn how conventional wisdom is often wrong and what you've been led to believe is true, often is not.

I encourage you to keep an open mind. After each chapter, we've provided additional reading on the topic.

Before you jump into the book's chapters, we'd like you to keep some thoughts in your head. Despite what you may have heard from others somewhere along the line, you are NOT what you do. In most cases, people work at a J. O. B. to provide a living for their family.

For most people, working is simply a means to an end. To save up enough to do what you *really* want to do…….for yourself.

Just who, exactly, is responsible for making that happen?

Who must have realistic expectations?

Who needs a roadmap – or a recipe, if you will – to make it happen?

If you DO get assistance, should it be half-assed help?

Kinda, sorta, maybe, hope so help?

Should it be spot on, expert help?

There's a saying that I use all the time, it's…….hope so vs. know so. If you're going to put effort into something, should you *know* that you're doing it right? Or, is just hoping that you're doing it right good enough for you?

Do you REALLY want to achieve your dreams? Or maybe just get there if you can do it for free? Is that really commitment, or are you just lying to yourself?

Do you REALLY *want it*, or do you just kinda dream about it?

If you don't get there, is that ok?

The contents of this educational book will guide your answers, but it will also generate some financial introspection and possibly challenge some of your investment strategies. Enjoy!

Are You Prepared for the Inevitable?

But, 'Billy Bob' Said…!

Let me tell you about a meeting I had with a client. His name is fictional, but his experiences are very real.

"Mike Johnson" made an appointment with me after I gave a presentation at a government branch office "Lunch and Learn" session. He was intrigued by the information and wanted to learn more.

In many ways, Mike was like most people who have visited my office over the last five years. He was receiving federal benefits, but now that he was entering his middle-age years and wondered if he was missing something.

This is, unfortunately, a common scenario. When you're hired by the federal government, you might get an introduction to your benefits program, and little else after that.

None of the federal employees I meet have any clue what their benefits are, it doesn’t matter if you’re a postmaster, a surgeon, or an IRS agent. None. I have actually had HR people come to *my* seminars to learn about *your* benefits. That's how bad it is.

I have worked with all different kinds of federal employees. Part time, full time, new hire, ten-year veteran, and employees getting close to retirement, none of them have any clue what their benefits are.

Their OPM, (Office Of Personnel Management), has mandated (Benefits Admin Letter 11-104 (5 U.S.C. 8350) that each agency is supposed to provide financial education seminars/webinars for all employees at three points in their career: 1) When they first start 2) when they're at mid-career, and 3) when they're at pre-retirement. But I have yet to see any evidence of this being done – anywhere. The unions should be up in arms about this…….but………

Some employees do look for a financial adviser on their own. They might end up at Fidelity.com or Morgan Stanley. Edward Jones is one that I run into a lot. Even though they push American Funds, they're "Independent," right? Everybody wants an independent financial adviser.

The problem, though, is that none of these people or firms specialize in working with federal employees. They may do a good job with providing general information. But they aren’t as familiar with the details of a federal employee benefits program as we are.

As Mike sat across from me explaining why he was interested in a meeting, I realized he was operating under “The Billy Bob Effect.”

I call it that because at every office, there’s a “Billy Bob.”

He’s the guy who will openly share what he’s doing with his benefits and investments. And if a person hasn’t done their own research, they often take “Billy

Bob's" advice, even though it can be a bad idea.

I always wonder—sometimes out loud—if Billy Bob is so smart with investments… why is he still working there? If I had a quarter for every time I heard, *"But, Billy Bob said…"*—I would be able to take a nice vacation to Florida.

I also discovered Mike had overpaid for his life insurance. Like other federal employees, he didn't know how much to get, so he bought a policy with a $150,000 death benefit and was paying a high monthly fee. He was stunned when I told him that when he first started his job, he could have purchased a $300,000 policy for around $10 a month… one lunch at McDonalds.

As you could imagine, he wasn't happy about discovering that little nugget of truth. Many aren't. I've had clients use very colorful language when they find out areas

of their benefits they didn’t address. "How come nobody ever told me that?"

I try to remind them not to kill the messenger, but I can sympathize with them. It’s never a pleasant experience to discover that your own employer didn’t make things clear – like they were supposed to.

The problem is that there is no onboarding process for any federal employee. I don't care if it's the post office, social security, wherever they work. There is no onboarding process, or at least I’ve never come across an agency that has done it, even though it is mandated by OPM (Office of Personnel Management).

When you are a new employee, people get this paperwork (these days you get a link to some online forms) called “new hire paperwork” (if you’re Postal, you get “white books”). They get these forms and most of the time, when I talk to people, they never had anybody walk them through what to do.

Nobody ever took the time to explain to them what their options are. And even worse, they only have 60 days to complete them and turn them in. Nobody even bothers to tell them *that*.

If you’re Postal, the “blue book” is for retirement, everyone else gets sent to a website. This is what people get when they're supposed to retire. This is the help they get. They get a book sent to them in a mail or link sent to them via email.

You fill out the white books (or New Hire link) to request your benefits. I always ask them, "Well, who helped you fill out your benefits when you first signed up?"

They respond, "Nobody." And I reply, "Well, that's the person who's going to help you with your retirement." In other words, nobody is going to help them unless they help themselves. Mike realized this and thought it was probably a good idea to talk to me.

He was concerned with his health, which currently was good but wondered what would happen if he developed a medical condition? I complimented him on thinking ahead. (FEGLI) Insurance costs do increase over time, but there is a way to afford it, which I shared with him.

Mike then leaned forward in his chair and a slightly worried look crossed his face. “This all sounds great, Dave,” he said, “but I know I we need to talk about my retirement. Where is the money going to come from when I stop working?”

This is the million-dollar question. Where, indeed?

A lot of federal employees don't know the federal retirement program is built on what they call a three-legged stool. You have a pension (monthly annuity)—which most people have no clue how it's calculated. Then you have social security. Then, there is

the TSP, which in the private sector, is called a 401K.

The problem is that many federal employees don't know what the numbers are. They don't know how to come up with the numbers. In the TSP, a lot of them don't know how they're even supposed to use it while they're working. If they're just starting out, how much should they put into it? What investment should they choose? I mean, they're just completely in the blind.

If they’ve been listening to “Billy Bob”, who wants everyone in the office to think that he’s smart, then it’s usually bad information and doesn’t help direct the employee to the best option.

This is the biggest trap for many people: following bad financial advice. I mean *really* bad. I don’t know where they come up with some of this stuff and it swirls around the office like wildfire. It’s the old “he said, she said”—at its worst.

Somebody always wants to talk about how much they know, but then the problem is they're giving out bad information. People are retiring based upon that bad information, only to find out in retirement that they're not going to get what Billy Bob told them they were going to get. "Oh no. How do I get my $100,000 job back?

Guess what? You're not getting it back. That's probably the worst thing. The most common questions are, “How am I supposed to retire? Where is my money coming from, and what do I have? Am I going to run out?”

I asked Mike an important question. It’s the question that will immediately tell me if he’s serious about working on his financial plan.

“Mike, how concerned are you about your retirement, on a scale of 1 – 10? How concerned are you about taking care of your family if something happens to you? Are you going to take this seriously? Do you feel a responsibility to do the right thing?”

Mike nodded his head. “I’m very serious. I’d say I’m at a 10. I definitely want to make sure my family is taken care of. I want to work with you to figure out what I don’t know. Tell me what I need to do.”

I smiled because that’s my favorite answer. I knew then I’d be able to help Mike because he realized he was in the dark regarding financial planning and admitted he needed help. He also told me that yes, he was committed toward providing financial security for his family.

I then spent the next 30 minutes discovering what Mike knew about his financial options and the decisions he had already made. I asked questions that highlighted the opportunities his benefits had—opportunities Mike didn’t even know existed.

When Mike looked surprised after I shared with him a few alternatives he could have taken, I replied, "If you had been working

with an expert, you wouldn't have made that decision." But I understood his position.

He, like others who meet with me, simply are unaware of the possibilities unless they have a financial advisor who also is knowledgeable about federal employee benefits.

Mike agreed to move forward with our planning. He was grateful I was so familiar with all the various federal benefits he had. I congratulated him for taking his financial future seriously.

“Mike, there are a lot of people who say they want a secure future but are not willing to take action. It's like me going to my heart doctor and him saying, ‘Hey, Dave, you know what, you got to stop eating hamburgers at McDonald's.’

When I ask why, he says ‘Well if you keep doing it, you're going to die.’"

Mike nodded his head. I continued, “So I go back to doctor's office six months later. The

doctor asks, "Dave, what have you been eating?"

I say, “I go to McDonald's two times a week." My doctor would then shake his head and say, "Oh, dude, I told you, you were going to die. Well, I guess eating hamburgers is more important to you, right?" I guess you could keep eating those burgers and fries, but that tells me that you aren’t serious about living longer and being with your family—it’s your choice. (By the way, I didn’t take the warning seriously enough and I had a stroke on the fourth of July).

That’s what financial planning does. It clarifies what’s really important. Is it more important to keep eating hamburgers and put your health in risk? What’s more important to you? Doing what needs to be done to reach your personal financial goals or stopping by the party store and buying beer and cigarettes (or a burger and fries).

If you just keep doing what you've been doing, even after you know that you need to make a change to realize what you say are your dreams… you're just lying to yourself—and NOBODY can help you. Those dollars should be redirected towards something else.

Mike got the point. "I definitely want to invest in my future. You've given me a lot to think about. Let's set up that second session now." We did and he left my office with a smile on his face, knowing he wouldn't have to worry about his finances any longer.

Look, financial planning or saving for retirement is a lot like going out and buying a new pair of leather shoes. Now, not too many people go out and buy leather shoes anymore, because everybody is Mr. Casual and all that, but buying a pair of leather shoes, the first couple of weeks, you put them on, they hurt. I mean, you might even get a blister from wearing those things.

But after a while, they just go right on like slippers, and you have them around for years and years. That's comfort. It may not be what you're used to doing, but a good pair of shoes is worth the initial “breaking in” discomfort.

When you get involved with financial planning, you may discover a shortage. That’s okay. We know that what you were doing wasn't working, so now we're going to try something different. It is going to be different. It might be slightly challenging at first, but once you get past that, it'll be the new norm, and you will be comfortable doing it. And you're going to be taking care of yourself for the future.

If you can think that part through, you're going to be fine.

In the chapters that follow, you’re going to learn a great deal about the many mistakes people make when planning for their future.

At Nautica Asset Management, we address each of these for our clients.

The rest of this book is going to introduce you to some ideas and concepts that might feel as though you just started wearing those new leather shoes. But stick with it. I promise you it will pay off in the end.

I encourage you to read each chapter carefully and feel free to reach out to me if at any point you wish to discuss further. Sound good? Great! Let's dive in.

Glossary of Terms:

FEGLI – Federal Employee Group Life Insurance

Basic Life – Round up salary to nearest 1,000 and add 2,000. Most people elect the "free" version of this in retirement which reduces the death benefit by 75% it it does not increase over time. For many,

this creates a shortage of death benefit, which means that family will probably have to pay for your burial.

Extra Benefit – Doubles your Basic Life death benefit. At age 36, it starts reducing by 10% each year until it drops off at age 45 – gone.

Option A – Straight up additional $10,000 of death benefit

Option B – "The Multiplier" – you can select from 1 to 5 times your salary. Best deal available out there – while you're young. Starting at age 50, this starts to get very expensive and most people will drop it before they retire.

Option C – Family insurance – you can get up to $25,000 death benefit on your spouse and up to $12,500 on each of your children (no matter how many you have).

CSRS – Civil Service Retirement System. These people were hired prior to 1984.

- No contribution to Social Security, no Social Security benefit in retirement
- TSP is available to them, but they do not get a match on contributions
- Pension (monthly annuity) is much higher than a FERS employee

FERS – Federal Employee Retirement System. If hired in 1984 or beyond, you are a FERS employee

MRA – Mandatory Retirement Age

- 1953 – 1964 MRA is age 56 *and* 30 years of "Creditable Service"
- 1965 – MRA is 56 & 2 mo's *and* 30 years of "Creditable Service"
- 1966 - MRA is 56 & 3 mo's *and* 30 years of "Creditable Service"
- 1967 - MRA is 56 & 6 mo's *and* 30 years of "Creditable Service"

- 1968 - MRA is 56 & 8 mo's *and* 30 years of "Creditable Service"
- 1969 - MRA is 56 & 10 mo's *and* 30 years of "Creditable Service"
- 1970 or After – MRA is 57 *and* 30 years of "Creditable Service"

Reduced Benefits – There will be a reduction of 5% for each year the worker is under age 62 at retirement – If MRA thresholds have not been met.

Thresholds are:

- MRA *and* 30 years of Creditable Service
- Age 60 *and* 20 years of Creditable Service
- Age 62 *and* 5 years of Creditable Service

Maxing out your pension calculation – There is an additional 10% added to your retirement calculation if you work until age 62 or beyond

TSP – Thrift Savings Plan – Federal Government's version of a 401(k)

- Multiple investment options from conservative to aggressive
- Preset "asset allocation" funds available (L Funds)
- Investments managed by Blackrock Institutional Trust Company
- Low expense fees
- Great place for "accumulation", not so much for "income distribution"

Employer Match – Pay attention here, the government explanation is not straight forward:

- 1% - 3% of basic pay is matched at 100%
- 4% - 5% of basic pay is matched at **50%**
- 6% + of basic pay (or any pay) is matched at **0%**
- HOWEVER – if you are a FERS employee, there is a 1% automatic agency contribution

- So, what does all of this mean? You put in 5%, they will put in 5% for a total of 10% - that's it.

TSP Traditional – All matching funds go into the Traditional side

TSP Roth – You can contribute to the Roth and get your match; the match will simply go to the Traditional side. Why you ask? Well, if the government is going to give you money and allow it to grow tax deferred, did you think they were going to let you pull it out tax -free?

- There is another nice feature regarding the TSP Roth. It doesn't matter how much you make; you can still max out your contributions into this. Your friends that don't work for the gov't can't do this, there are contribution limits based upon income. However, If you're a Federal employee, those contribution limits don't exist. You can teach that to your "financial advisor"

that doesn’t know fed benefits……it will blow his/her mind.

Case Study: Let’s do a quick case study here to highlight a few things – I’m going to keep this very basic. Let’s say that we have a Veteran’s Administration (VA) employee – nurse – who started working for the VA at age 25 and this person is now 50. So, 25 years on the job (so far), wants to retire ASAP (I have met very few fed employees that don’t want to get out ASAP), has a spouse, soon to be empty nesters and just bought a new house to “retire to”, has been paying for optional life insurance – Parts B (5 times salary)&C and has been contributing to TSP at 5% using the L Fund that is closest to estimated retirement year..

What are the basic things that should be looked at here?

- **FEGLI** – should any “optional” insurance be maintained through FEGLI?
    - What does the optional FEGLI insurance cost? Will it continue to increase?
    - Are there better options for life insurance outside of the government benefit program?
    - Do they even need any insurance other than the Basic Life they get to keep in retirement?
    - Remember, they just got a new house with a new 30-year mortgage… you know, to keep those payments low. “You can always make a 30-year mortgage a 15, but you can’t make a 15-year mortgage a 30.”
- **Pension** (Gov’t calls it Monthly Annuity)
    - Billy Bob says – hey once you put in your 30 years, you can’t

squeeze anything more out of that pension, other than a little increase for giving up more of your life to the government.

- Let’s look a little deeper….
  - Started at age 25
  - Add 30 years and you’re at 55 – can you retire now?
  - Will there be a reduction to your pension… YES, 35% reduction – OUCH !
  - What if you wait until 60? – No reduction to worry about now. Billy Bob says that NOW is the time to get out. “Sorry, I was wrong about getting out at 55!”
  - What if I told you that if you just worked two more years, I could guarantee that you’d have about **$60,000** more in retirement dollars, not counting what

you saved into TSP? That's a pretty big number – right?

- That's what working until age 62 does for your pension calculation. That's right, the devil is in the details.
- I have seen it time and time again, somebody is just dyin' to quit their job because they don't like it anymore, then they have to go out and get another job, just to make ends meet 7 or 8 years later……….working part time for $12 an hour. I don't know, call me crazy but working two more years, making $80,000 a year and then locking in a much higher pension

probably would have been a smarter option……just sayin'

- **TSP** – Remember what I said earlier about TSP being a good place for "accumulation"…… building up dollars for retirement? Have you ever looked at your January statement, over to the right side, where it says "Your TSP account balance would provide you a lifetime monthly amount of $_____?
    - Most people look at that and say to themselves, that looks pretty good, I'll take it. For MOST people this is a BIG mistake.
    - Look at the fine print…….
    - "Assumes that you took a single life annuity with level payments and no additional feature"
    - My friend…… you just gave all of your money to Metlife and you no longer have control of that

money or OWN it. If you die 6 months into your retirement, your family gets ***<u>nothing.</u>***

- Yet this is THE most popular option selected by retirees……very scary. There are MUCH better options out there, with many more bells and whistles, and of course they still provide an income that you can't outlive.
- Billy Bob says to just leave it in TSP. Well, most people that do that run out of money – waaaay early. It's like having chocolate stashed somewhere in the house……it always disappears, people just can't keep their hands off it.

- **LTC** – Long Term Care – I'm going to keep this short. If it makes sense to have insurance on your house, on your

car, on your health………doesn't it make sense to have insurance that protects your money?

We are not in the 90's anymore. Yes, you can get coverage that doesn't just suck your money out into the ether and you never see it again. There are options that allow you to keep your money, if you need coverage for assisted living or a nursing home stay, you got it. If you don't need it for that, you keep your money, it continues to grow and it can be used for income or pass it on to your kids.

10 Common Mistakes That Are Made by Federal Employees:

- Not hiring an expert in Federal Employees Benefit planning. A "regular" financial planner just won't cut it.

- Listening to “the office expert” – Bad, non-licensed advice from “smart” people will send you down a very bad path……. I’ve seen this waaay too many times.
- Not knowing about your FEGLI options and what happens to them over time
- Not knowing how to “max-out” your pension. This can add thousands of dollars to your retirement nest egg.
- Not taking advantage of the TSP match
- Not taking advantage of the Roth TSP
- Not knowing the best fund options – *for you* (not ‘Billy Bob’) – inside the TSP
- Not knowing what you should do with your TSP money when you are getting ready to retire (Hint… it’s not leaving it in TSP).
- Not having a tax-free retirement plan
- Not having your nest egg insured against catastrophic losses caused by assisted living/nursing home care costs.

There is No Nostradamus

"Uncertainty is the only certainty there is, and knowing how to live with insecurity is the only security."
--John Allen Paulos

Imagine a TV network dedicated to fortune telling. Every day, it features highly educated people who strongly believe they can predict the future. Like Isaiah, they offer their prophecy for free. Unlike Isaiah, these seers are wrong the majority of the time. Yet, despite the failures, viewers continue to watch. Even worse, many stake their entire personal fortunes on the advice.

Would you watch such a network? Millions do. In fact, there isn't just one such channel, but two: Fox Business Channel and CNBC.

Go ahead…turn them on, especially around noon on a weekday. These channels bring on one market "expert" after another to

give out stock tips or some insight as to where the market is headed.

Here's a little reality: No one…and we mean no one…knows where investment markets are headed in the next week, month, or year. If they did know, they certainly wouldn't tell you for free. In fact, they wouldn't tell you at all because such information would be far too valuable to even sell.

Remember the rule of transitive properties from Mrs. Cheeseman's math class (more on her in a minute). If A is greater than B…and B is greater than C, then A is also greater than C. Or to put it another way, if Bill is taller than Mike, and Mike is taller than Jim, then Bill is also taller than Jim. Got it?

Okay…now pay very close attention.

Markets react to news. Do you agree? Every time stocks drop in price, isn't there always some news event attributed to it (9/11, Microsoft anti-trust suit, the Fed

raising interest rates, earnings reports lower than expected)?

News is unpredictable. Do you agree? Did you know any of the following events would happen before they actually occurred?

1. Hijacked airplanes crashing into the World Trade Center and the Pentagon.
2. The Kennedy Assassination.
3. The announcement of Toxic Asset Relief Program.
4. Arthur Anderson's false accounting of Enron.
5. Pearl Harbor (okay…this one isn't fair. You probably weren't alive).

In response to each of these news events, equity markets dropped rapidly. If you did know about these events a week before they actually occurred, you could have made billions of dollars.

Two movies come to mind that demonstrate this reality.

Casino Royale (2006): James Bond seeks to defeat a card playing terrorist who makes huge rates of return by shorting stocks on companies and then staging acts of sabotage on those corporations because he knows it will drive down their stock price. In other words, he knows the news before anyone else because he's creating it.

Wall Street (1987): Gordon Gekko hires aspiring trader Bud Fox to "stop sending me information and start bringing me some." So, Bud breaks into offices at night, spies on company executives, and relays insider information told to him by his father. As a result, Gekko has "news" that no one else has, allowing him to trade ahead of the market.

So, if news is unpredictable and market performance reacts to news, then market performance is unpredictable.

Wait a minute. Are you saying then that all those Wall Street experts like Jim Cramer

and Charles Paine really have no idea what they're talking about?

Yes…and No. They certainly know many things. But so do millions of other traders. Everything they know is already factored into a stock's price. It's what they don't know, the future news, which will drive stock prices. They are simply speculating as to what they think the news will be.

Sometimes they get it right…most of the time they get it wrong. In a 2018 study by Dow Jones Indices, less than 10% of the pro's beat market overages over a 15 year period. (Source: https://www.aei.org/carpe-diem/more-evidence-that-its-really-hard-to-beat-the-market-over-time-95-of-finance-professionals-cant-do-it/).

The Law of Large Numbers

Imagine we fill the New Orleans Super Dome with 35,000 people. On the PA system, we instruct them all to stand up and remove a quarter from their pocket.

On our mark, they all flip the coin. Those who flipped heads (about 17,500) remain standing. Those who flipped tails sit down. We now repeat this exercise, again and again. With 35,000 people flipping coins, we are willing to bet our houses that at least one person in the dome will flip heads ten straight times. In fact, we wouldn’t be surprised if at least 20 people did it.

The law of large numbers states that if you have enough people try to do something, someone will succeed regardless of skill level. The individual who tossed heads 10 straight times…is he an expert coin flipper? Does he somehow understand the gravitational properties between his

quarter, his wrist, and the earth? Or was he just lucky?

Guess how many professional portfolio managers exist today? Yup…about 35,000. Over 2,000 work for Fidelity alone. Someone is bound to speculate correctly on the market's reaction to news that has yet to occur.

The successful coin flipper is called lucky. The successful stock picker is called a guru and gets his face on magazines.

Again, we'll concede that these people are smart. Most went to the very best business schools in the country where they were taught that markets and stock prices are not predictable. But when they arrived on Wall Street, they were told how their firms really make money: trades.

Over 1 billion trades a month at $9 per trade on the New York Stock Exchange alone. You do the math. It is in *their* best interest to trade…not yours.

We do think that these very smart people honestly believe they have found a peek into the future. If there were only a handful of them researching companies, then they might actually be onto something. But there are thousands, all crunching the same data. Furthermore, their efforts to buy and sell ahead of the market incur costs that lower their rates of return.

In 2013, Eugene Fama won the Nobel Prize in economics for stating in the 1960's that something is worth only what someone is willing to pay for it. Called The Efficient Market Hypothesis, Fama showed (with a bunch of math) that the current price of stock or bond is the correct price. Nothing is overvalued or undervalued until someone offers or agrees to a different price.

If you buy a house for $300,000, spend $50,000 for improvement, and put it up for sale, how much is it worth if the highest offer you receive is $290,000?

Correct. It's worth $290,000.

So if it's true for real estate, why not stocks?

The $6 watch

Zach Norris is a young man with a passion for fine watches. Understanding that often people don't know the value of their old jewelry, he routinely visits thrift shops and garage sales looking for great deals. If he sees a watch that he knows he can quickly resell for a profit, he will buy it for the asking price and then quickly find a new buyer. In January of 2015, he bought a $6 watch at his local Goodwill store and then sold it for $35,000.

Norris is to watches what Wall Street portfolio managers aspire to be to stocks. But unlike Mr. Norris, they deal in public information. Had Goodwill known the watch was worth $35,000, would they have sold it for $6? Or, would the prior owner have given away the watch to Goodwill in the first place? Of course not. Mr. Norris had insider knowledge. In this case, he can legally act on it. But in the world of security

trading, such a move can land you in jail (see Martha Stewart and Bud Fox).

Perhaps there was a time when news traveled slowly enough for someone to get a jump. Those days are over.

There is no Nostradamus. News occurs randomly, and so too will stock and bond prices. All we have going for us is that over the history of mankind, good news has outperformed bad. Despite world wars, famines, epidemics, assassinations, national debt, and disco, capitalism finds a way to improve the quality of life. The quality of your life today dwarfs that of every king and queen of the middle ages. It dwarfs that of your great grandparents, and even your grandparents. Is it not only logical to assume that in the future we will witness massive amounts of bad news but overall, we will prosper?

We don't need Nostradamus to conclude that optimistically is the realistic way to view

the future. Hence, actions like market timing and stock picking are far less likely to succeed than buying, holding, and rebalancing a broadly diversified portfolio.

Don't just take our word for it (books to read)

The Investment Answer by Daniel Goldie and Gordon Murray

Random Walk Down Wall Street by Burton Malkeil

The Smartest Investment Book You'll Ever Own by Dan Solin

What Wall Street Doesn't Want You to Know by Larry Swedroe

Winning the Loser's Game by Charles Ellis

Your Math Teacher Was Right (but you always knew that).

"Mathematics are well and good but nature keeps dragging us around by the nose. "
–Albert Einstein

You remember Mrs. Cheeseman…the matronly math teacher who has been teaching out of the same book for thirty years because "the math hasn't changed. As you looked at the inside cover of the book, you saw the names and years of the prior holders. "Was it as boring for Fred Saddlemire in 1968 as it is for me now?" you asked yourself. "Was Mrs. Cheeseman ever cool?"

The one question that rose above all others was, "Will I ever need to know this stuff?"

Mrs. Cheeseman assured us we would. Now you're about to see at she was right.

Meet Hans & Franz. When not pumping iron and injecting themselves with steroids,

they are drawing income from their savings accumulated from years on late night TV. Aside from an occasional State Farm commercial, the two are pretty much retired.

Convinced that no one should invest like a girlie man, Hans has invested heavily in equities under the belief that over time he stands to earn a higher rate of return. Chances are he'll be right.

Franz is no stranger to machismo, but opts for a portfolio that is likely to produce a lower, more consistent rate of return. Starting with one million each, they both desire to withdraw $50,000 per year to supplement their SNL royalty checks.

Hans and Franz are about to learn what Mrs. Cheeseman taught us years ago.

Average may not be as important as consistency of return.

Hans: $1,000,000			
Year	Withdrawal	Return	Y/E Value
1	$50,000.00	-13	$826,500.00
2	$50,000.00	-20%	$661,200.00
3	$50,000.00	5%	$694,260.00
4	$50,000.00	-7%	$599,161.80
5	$50,000.00	20%	$658,994.16
6	$50,000.00	25%	$761,242.70
7	$50,000.00	-25%	$533,432.03
8	$50,000.00	45%	$700,976.44
9	$50,000.00	30%	$846,269.37
10	$50,000.00	20%	***$908,060.56***
Return Average: 8%			

Franz: $1,000,000			
Year	Withdrawal	Return	Y/E Value
1	$50,000.00	6%	$1,007,000.00
2	$50,000.00	8%	$1,087,560.00
3	$50,000.00	7%	$1,163,689.20
4	$50,000.00	11%	$1,236,195.01
5	$50,000.00	-4%	$1,138,747.21
6	$50,000.00	6%	$1,154,072.04
7	$50,000.00	12%	$1,236,560.69
8	$50,000.00	-2%	$1,162,829.48
9	$50,000.00	10%	$1,224,112.42
10	$50,000.00	6%	**$1,244,559.17**
Return Average: 6%			

As you can see, although Hans indeed earned a higher average return (8% vs. 6%) at the end of ten years, he has considerably less money than his body-building brother. Why? Every year, the two sell a part of their portfolios' shares to generate cash. When shares rise in value, it requires fewer shares to generate $50,000. When share prices fall, Hans must sell more. Those extra shares, once sold, are gone. It matters not

what his portfolio does in the future in relation to those shares. He will never get them back

By minimizing his potential downside, Franz has more money even though he averaged less over time. Fewer negative years means he sells fewer shares.

This phenomenon exists only because Hans and Franz need to sell shares for cash. Had they never needed to sell shares, then Hans would have more much money than Franz, despite the volatility. This is the Math of Retirement.

Mrs. Cheeseman taught us that nothing in life performs consistently--not the weather, not your golf score, and certainly not an investment portfolio. This lack of consistency can be measured. It is called standard deviation. The lower the standard deviation, the more likely you will earn the average return each and every year. So, if you found a portfolio with a guaranteed

return of 8% every year, then the standard deviation would be zero. Good luck finding that. Chances are, the best you'll do in seeking your 8% is a portfolio with a standard deviation of ten. So, what does that mean?

<u>If Average Return is 8% and Standard Deviation is ten, then:</u>

66% of the time: You will have a one year return between -2% and 18%.

95% of the time: You will have a one year return between -12% and 28%.

99% of the time: You will have a one year return between -22% and 38%.

If you are an investor, then your portfolio also has a long term average return and a standard deviation to go along with it. The problem is that very few people know this, nor do they understand the "normal" volatility that comes with it. If they did, we think they'd be much less likely to panic.

For example, if a portfolio has the dimensions described in the chart above, should we be surprised (or even disappointed) if we earn a return of -6% in a given year?

Of course not. We already know going in that this is very likely. We also know that over time, it's more likely that we'll have more positive results than negative results. Guaranteed? No. Likely? Yes.

Think of it like baking a cake. You can put in the best ingredients, but you have soup unless you put the cake in the oven for the right amount of time.

Results do not come in a linear fashion, no matter how badly we wish they did. What in life does? Do the giant redwoods of northern California grow the same number of feet every year? Does it take you the

same number of minutes to drive to work each day? Do farmers dig up their corn seeds every few days to see if they are sprouting, or have they learned to trust the process?

It is essential that you know the long term average return and standard deviation of your portfolio allocation. Without knowing, you are simply winging it; and your survival mechanism stands a much better chance of over-riding your logic.

Know your math. Make Mrs. Cheeseman proud!

Don't just take our word for it (books to read):

The Intelligent Asset Allocator by William Bernstein

All About Asset Allocation by Richard Feri

Asset Allocation by Roger Gibson

The Boogeyman is Real

"The only two things that scare me are God and the IRS"
–Dr. Dre

Assuming that you do not define patriotism by the amount you pay in tax, what follows should be useful.

If you're one of the 56% of Americans who pay federal income taxes, it is possible you pay more than what is legally required. (Source: https://www.taxpolicycenter.org/taxvox/tcja-increasing-share-households-paying-no-federal-income-tax)

The Seven Most Expensive Words in the English Language: My CPA takes care of my taxes.

From our experience, most CPAs do a great job of filing taxes; but very few actually do any tax real planning. When I ask people, when was the last time their CPA said he found a way to lower your taxes by $4,000,

they usually give me a blank stare and then say, “Never.”

Does your CPA/Tax Preparer ever:

- Call you with proactive strategies to achieve a tax free retirement?
- Demonstrate how to restructure your 401k/403b/IRA accounts to avoid future taxation?
- How to collect your social security benefits TAX FREE?
- Show you how to structure your business to minimize employment taxes?
- Show you how to write off your family's medical bills as a business expense?
- Show you how you can hire children (or grandchildren) to shift income from yourself to them?
- Help you choose the right retirement plan for your business?
- Explain how each of your investments is taxed and make suggestions on how to reduce it?

- Advise you on how to carefully consider which investments belong in taxable accounts and which investments belong in tax-advantaged accounts?
- Develop a plan for maximizing the value of any long-term capital loss carryforwards?
- Explain the rules governing “passive” income and losses and have a plan to avoid “suspended” losses?
- Meet with you throughout the year to discuss your business--or does he just wait until taxes are due?
- Give you a plan for minimizing taxes--or does he/she just wing it every year?

Aside from investing behavior, income taxes are the greatest obstacle to most investors. There is never an age at which you stop paying them. You paid tax on your social security as you put money into the system, and you will likely pay tax on the money as it comes out.

When you reach age 70.5, you must start paying tax on your retirement plans (401k, IRA, 403b). When you die, your heirs must also pay tax on whatever is left.

Your estate may be taxed again for simply being too big.

The code is, by design, very complicated. Too often, people just go along with it, unaware of the steps that can legally reduce their federal and state income taxes. This is especially important during retirement.

You have a choice of paying taxes now…or later. To many, procrastination seems logical when it comes paying the IRS. For years people have socked away massive amounts of money in 401ks, 403bs, IRAs. The idea is you invest it now in a tax deductible account while you're in a high tax bracket. Then you withdraw it at a lower tax bracket when you retire. Or so you hope.

What if taxes rise in the future? The US owes $20 trillion. Projections suggest this

amount will continue to rise as more and more baby boomers retire. This translates into Fewer people paying taxes and more requiring things like Medicare, Medicaid, and Social Security. From where will that money come?

Case Study

Bill & Karen Tucker are both 65. Retired, they each have a rollover IRA worth $600,000. Bill collects $2,200 a month from social security. Karen receives $1,800.

They need $7,000 a month to live comfortably, so they withdraw $3,000 a month from their retirement accounts.

To determine how much of their social security check is subject to taxation, we add the IRA withdrawals ($36,000) to one-half of the social security payments ($24,000)

This gives them a modified adjust gross income (MAGI) of $60,000. Whenever the MAGI exceeds $44,000 for a married couple, then up to 85% of their check is subjected to taxation.

Assuming they file jointly and use the standard deduction, Bill & Karen owe $4,300 in Federal income taxes. Now, what if they had decided a few years back to convert their rollover IRAs to a Roth IRA? Doing so would have triggered tax at the time of conversion, but no tax will ever be owned on the accounts again. Even if their accounts double in value, there is no tax associated with a Roth withdrawal. Not only is there no tax on Roth IRA withdrawals, but now there would also be no tax owed on their Social Security benefits. Furthermore, Bill & Karen could now withdraw an additional 25,600 from their taxable IRA and still pay $0 in tax since they still have their standard deduction and exemption to apply.

Imagine if federal income tax rates double in the future. By converting to a Roth, the Tucker's have protected themselves.

Another tax advantaged vehicle is permanent life insurance. Money in the policy grows tax deferred and can be accessed tax free via a policy loan. While I don't usually recommend retirees buy life insurance, this feature is a great reason to keep your policy even after you've stopped working.

Like a lot of people we meet, the Tuckers rely solely on their accountant for tax advice. But from our experience, many accountants work as tax filers, not tax planners.

Tax planning is one of the most ignored areas of financial planning, and failure to address IRS lien on savings is ruining people. It is not the job of the IRS to tell you how to lower your taxes. It's your job. If you don't know how, you need to find a professional

who does. You won't find him inside a box of turbo tax software.

The tax code is very complicated. Too often people just go along with it, unaware of the steps that can legally reduce their federal and state income taxes. Failure to address this issue can mean you're not worth anywhere close to what you think.

Don't just take our word for it (books to read):

How to Pay Zero Taxes by J.K. Lasser

How to Defuse the Ticking Tax Time Bomb by Dan Cuprill

It Will Probably End Badly

"It's paradoxical, that the idea of living a long life appeals to everyone, but the idea of getting old doesn't appeal to anyone."
– Andy Rooney

The first chapter ended with a statement that the future is always likely to be better than the past. For society as a whole, we truly believe that. As for our individual lives, we know that life is finite. The Grim Reaper is undefeated. And while modern medicine has made huge strides in fighting heart disease, diabetes, and cancer, we all still die.

The lucky ones will die suddenly, like Tim Russert. Here today living life to the fullest…gone tomorrow. Sad for our loved ones, but much better than dying a slow death where our health declines daily, limited to a wheelchair, incapable of recalling our children's names, and needing assistance to visit the bathroom.

Depressing…isn't it? That's life.

As a society, we are living longer. That is a good thing, but that also means our money must last longer. It means that eventually we will become weak and likely to need help with those things we only want to do for ourselves (custodial care).

Some stats from the National Institute for Health:

- If you reach age 65, there's a 70% chance you'll need custodial care. (Source: https://www.wsj.com/articles/the-odds-on-needing-long-term-care-11559836590)
- The average nursing home stay is almost three years.
- The average nursing home cost is $70,000 a year.
- Nursing home costs rise at twice the average inflation rate.
- Medicare doesn't pay for Long Term Care.
- Medicaid is available only after you've spent down your assets.

- Most people in nursing homes are on Medicaid, but they didn't start there.

Basically, you have three options when it comes to long term care.

- First, you can self-insure the exposure. Perhaps you have enough money to do just that. Remember…it's $70,000 a year now. At 6% inflation, the price will double in twelve years. If you're married and you get sick, will that leave enough money for your healthy spouse?
- Second, you can rely on Medicaid. Why not? Most do, but, that's available only after you've spent down your own money. If you're married, Medicaid kicks in when you have about $100,000 left. You don't have to sell your house, but the government may attach a lien

to it after you die so that it can recoup the cost of your care.

- Third, you can buy long term care insurance. For many people, this is the right choice. Often we hear people say they won't buy it out of fear they'll never use it, and thus waste their money. We're going to let you in on a little secret: the people who go to nursing homes with long term care don't win the game. It's those who have long term care insurance but die peacefully in their sleep, healthy today...dead tomorrow, who win the game.

When your car isn't stolen, do you regret owing auto insurance? Never feel regret for being prudent.

Long term care insurance can be expensive, but a few things can be done to reduce it:

1. Limit coverage to four years. Odds are very high you won't need the policy after four years. By limiting coverage to four years, you reduce the cost dramatically over a lifetime benefit policy.
2. Self-insure a part of the cost. If nursing homes in your area cost $200 per day, consider coverage for $150. Be sure to study the long term impact of not being fully insured.
3. Ask your children to pay for it. They are the ones who stand to benefit from you not spending all of their inheritance on nursing home care.

Whatever you do…have a plan! It's not a matter of if, but when!

Don't just take our word for it (book to read):

Long Term Care: Your Financial Planning Guide by Phyllis Shelton

Your Brain is Messed Up

"We have seen the enemy, and he is us."
—Pogo

Perhaps the biggest obstacle (no, not *perhaps*…it really *is* the biggest) toward financial success is our own brain…our humanness…our emotions.

God gave us many gifts; but if misused, they can be self-destructive.

Consider weight loss. Technically, losing weight is very easy. We simply exercise more and eat less. Yet, we are the fattest nation on earth; and weight loss is a multi-billion dollar industry. Why?

Investing is also quite simple: buy when prices are low. Sell when they are high. According to the Dalbar study, we see that simple strategy ignored all the time. People often do the complete opposite.

Let's take Marty McFly's time traveling Delorean back a few years….to 10,000 BC.

Meet your great, great, great, great, great, great, great, great, great (you get the idea) grandfather. We'll call him Fred. He lives in a cave with his mate Wilma and their children Pebbles and Bam Bam (whom they adopted after a T-Rex ate Barney & Betty Rubble).

Life is very simple for Fred and Wilma. Fred wakes up, sharpens his spear, and kills whatever he can find. He brings it back to the cave where Wilma cooks it.

Fred is motivated to stop the pains of hunger, cold, and predators. He seeks warmth and comfort where he can; but above all else, he tries to avoid pain for his family and himself. He doesn't know it, but Fred has within his brain a survival mechanism that motivates him to behave this way. It is his natural tendency to flee from danger. In fact, all animals have it--another gift from God. Fred doesn't worry about his cholesterol level, his A1C results, or his blood pressure. He merely wants to

stay fed, warm, and safe. Fred was the original couch potato whenever the opportunity presented itself.

Food, water, safety, and warmth…that's all he thinks about. Morality, personal fulfillment, spirituality….these don't matter to him at all. It's a struggle just to meet the basics.

Fast forward to present day. We don't have Fred's worries. Far from it. Food?   In the US, a major health problem amongst our poor is obesity. Water, warmth…readily available. The survival mechanism that kept Fred alive until a sabretooth tiger ate him is still present in our brains. We don't use it often, but it's there…lurking.

Need to lose weight by eating less (painful) and exercising (even more painful). Forget it. Our brain tells us we're crazy. Stay in bed. Rest. Relax.

Fred didn't care if he lived past age 40, but you do. Rather than helping you though, the survival mechanism is betraying you.

When your stocks fall in value, you experience pain. Your brain tells you that you must do something. You must sell. When what you sold starts increasing in value, you feel worse! You know logically that stocks are likely to rebound, but your brain convinces you that "this time is different."

While the survival mechanism is the worse feature of our psyche when it comes to investing, there are a few others that can be equally destructive:

Herding: When we were teenaged, we called it "peer pressure". Our mothers asked, "If Johnny told you to jump off a bridge, would you?" Hey, bridge jumping can be great fun.

When Frank in accounting tells you that everyone is dumping the index fund in the

company 401k and loading up heavily on company stock, you need to remind yourself of something. Unless Frank is having secret meetings with the company chairman, he knows nothing more than the rest of the world. All the information about your company is already factored into its stock. Frank is just speculating. Sadly, there were several "Franks" working at Enron.

Confirmation Bias: We'd all like to believe that we are objective thinkers, weighing all facts before making a decision or establishing a belief. Sorry…not true. There are things we WANT to believe are true. So much so, we'll ignore any evidence to the contrary. Take Nikki's daughter, Georgie. At age 8, she is committed to believing in Santa Clause. She's heard from classmates that St. Nick isn't real, but every year she finds evidence to the contrary (thanks to her mom). In her mind, the kids who don't believe are simply the ones who misbehave and receive nothing on December 25th.

For other people, we see confirmation bias in areas like climate change, the Kennedy assassination, or the future price of gold.

In 2001, Dan met a GE engineer who said he had no intention of ever diversifying away from his company stock. "I don't want to hear it," he said to us when we suggested a broader allocation. He was 64, and the stock comprised 100% of his portfolio. In the previous ten years, his net worth had tripled. It seemed invincible.

At that point, the stock was trading at $65 a share. Seven years later, it was worth $8.

When it comes to matters of finance, confirmation bias can be expensive.

Gambler's Fallacy: The roulette wheel has come up red the last six times. It must turn up black this time, right? No wait…six times in a row? It has to turn up red a seventh time. It's on a roll.

Of course, both statements are false. The Gambler believes that despite randomness,

past events influence further events. This is why casinos give free hotel rooms to high rollers. Just don't leave our casino. We know eventually you will give the money back. You'll believe you have skill, but we know it is pure chance…and the odds of chance favor the house.

We see it with stocks all the time. The market is up, and "experts" call for a "correction". In order for there to be a correction, we must first have a mistake. The "correction assumption" is that stocks are mispriced. Eventually the market will wake up this reality, causing prices to adjust.

It's hogwash. News drives stock prices. Markets will move randomly because news occurs randomly.

Anchoring: Back to our GE engineer. His wife saw the potential mistake of holding just one stock, but even she couldn't be swayed toward logic because they knew diversification would trigger taxation. So

anchored was she in her belief that taxes are bad, she put herself in a position of eventually owing no tax because they lost most of their portfolio in 2008. Oh, to have Marty's Delorean.

A successful investor understands that logic doesn't come naturally. He seeks out ways to ensure that when it comes to money, the left side of his brain stays in control.

Don't just take our word for it (books to read):

Predictably Irrational by Dan Ariely

The Behavior Gap by Carl Richards

Rick Perry was right.

"The real sin with Social Security is that it's a long-term rip-off and a short-term scam."
—Tony Snow

A Ponzi scheme is an investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors. Ponzi scheme organizers often solicit new investors by promising to invest funds in opportunities claimed to generate high returns with little or no risk. In many Ponzi schemes, the fraudsters focus on attracting new money to make promised payments to earlier-stage investors to create the false appearance that investors are profiting from a legitimate business.

With little or no legitimate earnings, Ponzi schemes require a consistent flow of money from new investors to continue. Ponzi schemes tend to collapse when it becomes difficult to recruit new investors or when a large number of investors ask to cash out.

--United States Securities & Exchange Commission

In the 2012 election primary, pundits attacked Texas Governor Rick Perry for correctly describing the Social Security system as a Ponzi scheme. The system, which began in 1937, then taxed 37 workers for every retiree a maximum total of $30 per year. Today, it taxes three workers for every retiree 6.2% of their earnings (up to $120,000). If you're self-employed, you pay the tax twice. (Source: www.ssa.gov)

Money is taken from workers and is transferred to retirees. The rate of return is not guaranteed. Most people will average between two and four percent. Many will lose money if they die before they receive benefits equal to their contributions. Unlike your savings, you cannot leave your social security benefits to your children. At least Charles Ponzi gave some investors a high rate of return.

Social Security today is not what it was intended to be when President Roosevelt signed the program into existence in 1935.

Its original intent was to aid Americans who couldn't take care of themselves, such as widows and orphans. It was never designed to be the sole means for retirement income, which it has become for many Americans today.

In 1935, life expectancy was 58; while the earliest one could collect benefits back then was age 65. On average, you were more likely to die than receive benefits. Ironically, the very first person to receive a check, Ida May Fuller, lived to be 100 years old. These days about 58 million people receive benefits.

Benefit Timing

For many retirees, the question of when to take benefits can be a difficult one. The longer you wait to start collecting, the larger your monthly check. Full retirement age is between 62 and 67 depending on what year you were born.

You can take benefits as early as 62, but receive 25% less per month than if you hold out until your full retirement age. If you wait until age 70 to collect, then you get 32% more. In real dollars that means if your full retirement benefit is $2,000 but you elected to take it at 62, you will receive $1,500 each month. Likewise, if you wait until age 70, you will receive $2,700 every month.

Life expectancy plays a major role in determining the timing of your social security benefits. The breakeven point for taking benefits at 62 vs. 70 is age 78.

If you had that time machine and knew your expiration date – no problem. Of course if you delay taking your benefit, it may mean you have to spend more of your savings in the early years of retirement.

Many factors need to be taken into consideration when taking social security.

So what is the future of Social Security? Is it sustainable? What was once a 1% tax is now 6.2%. As fewer people pay in and more are recipients, the percentage could always be increased. The amount of income subject to the tax could be increased, and inflationary increases could be eliminated or decreased. Lots of appealing options…

No political party wants to broach the elimination of Social Security, and they likely won’t. Social Security in its current state isn’t at all what Roosevelt had in mind in 1935, so change is always a strong possibility.

Don’t just take our word for it (book to read):

Get What's Yours: The Secrets to Maxing Out Your Social Security by Laurence J. Kotlikoff, Phillip Moeller and Paul Solman

Closing Thoughts

Thank you for taking time to read this book. Hopefully it showed you a new way to view the numerous issues surrounding personal finance.

If you would like to take the next step to overcome many of the trappings discussed here, do so by calling 734-794-2775 or emailing dbaker@retincome.com.

Best regards,
Dave Baker, ChFEBC℠ FRC℠
www.retincome.com

About Dave Baker, ChFEBC℠ FRC℠

I started working as a financial advisor in 1993. I grew up in Kalamazoo, MI which is a nice, well-rounded college town.

I was the younger of two sons and my parents were both teachers, so we weren't rich. Given their careers, they had their summers off, so we would sail up and down the Great Lakes on their 35-foot sailboat. I still love sailing to this day.

My brother and I were always expected to do well in school and go on to college which we did. Some people would say that we had a strict upbringing, but I would call it "structured" and, as an adult, I have leaned heavily upon "structure."

Before beginning my career in financial planning, I interviewed for a job at IDS Financial Services. Part of that process involved taking a personality test, the one where employers try to figure out what

kind of person you are and what makes you tick. Well, when the test results came back, they said I had a 55% “driver” personality and 45% “analytical” personality. This wasn’t really what they were looking for. They wanted people that were defined with a higher concentration in one category or the other so they knew how to work with the candidate.

A “driver” personality was the one that they really sought because “drivers” like to just “get shit done.” I definitely have that quality in my day-to-day approach, no question about it. The 45% “analytical” means that I don’t just take orders. I like to think things through before I commit to “just getting it done.” But, because the “driver” was my dominant trait, they decided to go with me, telling me, “You probably won’t make it, but we’ll see what happens.” That did not offer a huge boost of confidence.

I ended up working there at IDS (later to be known as American Express Financial Advisors and then Ameriprise) for 6 years, for 4 of those years, I was an advisor on the “Silver Team” (top 15% of the company). Problem was, places like that tend to push certain products over others and, probably because of my analytical side, I thought that my clients should be offered what helped THEM the most, not the company, so I left and became an independent financial advisor.

Things were going great, my clients were happier, I was happier and I knew that I was offering the best available options for my clients to reach their goals. I bought my first house, got married and we had two kids (premature twins). On my way to the American Dream…

Then 9/11 came along and business fell off quite a bit. The twins were premature and the doctors all said that because they didn’t have a fully developed immune

system, they shouldn't be exposed to the public for up to two years so……no daycare for sure.

My wife needed to quit her job to stay home with the kids, but the problem was that our health insurance was through her company. Therefore, I had to go out and get a J O B so that we could have health insurance and get some considerable cash flow again.

I ended up getting into the mortgage business by becoming a wholesaler. Yep, I had to learn a whole new industry. It wasn't easy, but I did find a way to master the business, and I exceeded quota every month…until the industry collapsed.

So… I had to go out and get another J O B. Well, this time I ended up working for a company called Thomson Reuters. They own the well-known Reuters news service. I didn't work in the news, rather, I worked in the tax and accounting division. The

company happens to be the world's largest provider of tax and accounting information and software products. I learned this industry pretty quickly and did what I had always done, exceeded quota. I worked my way up to the top sales level and became a regional manager of the benefits and compensation division.

After years of calling on and working with anything from small tax and accounting firms all the way up to regional and national tax, accounting and law firm, I found that I was helping them become more profitable and efficient by building their practices which suggested....I could work for myself – again.

In 2015, I returned to working independently. Even though I've always done well in sales and I have had many different sales positions, I don't see myself as a salesperson. I see myself as a problem solver. That's the approach I bring to the table with my clients so I can help them

reach their financial goals and live their best lives.