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LAST CHANCE  
MILLIONAIRE

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IT'S NOT TOO LATE TO  
BECOME  
WEALTHY

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BESTSELLING AUTHOR OF *MISSED FORTUNE 101*

DOUGLAS R. ANDREW

# Preface

About eighty million Baby Boomers (those born between 1946 and 1964) are approaching retirement in the next twenty years. 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. Many will become “Broke Boomers” if they don’t quit consuming so much. I have found that most people simply need direction on how to begin conserving their resources and putting them to work. The solution? Social Security isn’t the answer. Taking ownership of your financial future is the answer. This book will empower you with the knowledge to achieve a greater degree of financial independence while there is still time left—it’s not too late! You can become a “Blazing Bloomer” by creating tremendous wealth and financial security for yourself!

If you are concerned about preparing for retirement, this book is for you. I will reveal ten financial misconceptions—what I have nicknamed “Baby Boomer Blunders”—that most Boomers have made or will likely make. Boomers who labor under these misconceptions will learn dynamic strategies on how to cure or overcome their mistakes. Those who think they are safely headed toward retirement will gain invaluable insights on how to prevent or avoid making blunders. This book will help retirees understand that the planning they do at retirement is different from the planning they did for retirement. Those who are fearful that it is too late to prepare adequately for a comfortable retirement will experience new hope. Those who are already in a state of financial independence will experience a meaningful transformation as they are enlightened by opportunities they didn’t know existed.

As a financial strategist, lecturer, and consultant for more than thirty years, the asset optimization, equity management, and wealth empowerment strategies that I teach have enabled clients nationwide to dramatically increase their financial independence. You will benefit from years of research and practical application of proven tax strategies, as well as extensive experience in financial planning and unorthodox insight that has proven an invaluable asset to thousands of individuals. I will introduce contrarian but proven strategies—as demonstrated in my first two books, *Missed Fortune* and *Missed Fortune 101*—that have empowered people throughout America to dramatically enhance their financial net worth. Thousands of financial services professionals are now using these books to help their clients understand these dynamic concepts and strategies that can help them achieve financial freedom. It's not too late for you to become wealthy!

Unlike other books written for Baby Boomers that tend to offer up the same old traditional retirement planning strategies that get people only so far, this book will offer new ideas that are built on sound principles. As for this book's differentiation from my previous works, *The Last Chance Millionaire* clearly stands apart—taking the underlying principles examined in the *Missed Fortune*<sup>™</sup> series to the next level. My hope is that this book will serve as a wealth enhancement handbook—outlining specific, actionable steps that you can take now.

This book will help you realize you don't need to start from scratch to begin accumulating money for retirement. Instead, you can utilize three marvels: 1) compound interest, 2) tax-favored accumulation, and 3) safe, positive leverage. The greatest asset that most people have to prepare for a comfortable retirement and alleviate unnecessary income tax on their IRAs and 401(k)s is sitting under their own roof—their lazy, idle home equity! This book will teach you how to become your own banker, take ownership of your future, and how to achieve financial independence and retire in dignity. You will be able to turn on the afterburners to prepare for a comfortable retirement for maximum results with minimal risk.

Most of my clients are Boomers and retirees. I'm a Boomer—born in 1952. I understand why Boomers often feel confused, isolated, and powerless. My goal is to help you overcome the greatest barriers you face and to employ the best strategies possible by utilizing your greatest abilities. I have found that the three greatest barriers to progress are: 1) a lack of knowledge, 2) a lack of confidence, and 3) a lack of money. With the new knowledge you will attain, you will gain confidence. And I will help you find and make money.

I've been privileged to be affiliated with Lee Brower, president and founder of Empowered Wealth, LC for several years. I am an executive committee member and one of the founding quadrant living architects of the Brower Quadrant Living Experience™. In his system there are four categories of assets: Human, Intellectual, Financial, and Civic. Human assets are your Core assets. Intellectual assets come from your Experiences. Financial assets are usually measured monetarily. And Civic or Social assets are the Contributions we give back to society. I prefer to call this strategy a holistic approach to optimizing all of the assets on your personal and family balance sheet.

When we meet with clients, we start by talking about four essential mental adjustments everyone should make in order to clear away confusion and achieve their dreams: Clarity, Balance, Focus, and Confidence.

When you get clarity in your vision, it gives you energy. When people get a grip on what they are trying to accomplish and where they are headed, it sweeps away many mental roadblocks to action. I watch people listen to us describe the four different kinds of assets they have (human, intellectual, financial, civic) and I can almost hear them say, "My heavens, I have never thought more clearly about all of my options." Their body language suggests they are infused with energy.

When you get balance, you eliminate the wobble in your life. When you have a car out of alignment or whose tires aren't balanced, it can rumble down the street, weaving this way and that. Get an alignment and balance those tires and you get rid of the wobble. You get it to run precisely and your car gains speed in a hurry. In the same way, your finances may be wobbly. Learn how to balance your finances (and the priorities in other aspects of your life) and you suddenly gain velocity toward financial independence and peace of mind. It won't matter that you started late; you'll zoom ahead of the others who are still wobbling along without much direction.

When you find your focus, it brings accuracy. I'll help you focus on the important opportunities and activities that will help you most at this stage of your life.

Clarity, balance, and focus generate confidence that you can achieve all the good things you want for yourself and your family. In fact, increased confidence attracts new opportunities.

It is my sincere hope that reading this book will empower you with enough clarity, balance, and focus to give you the confidence to creatively deploy my strategies to manage your money successfully. You will discover a new path that will lead you beyond just getting along—leading you toward wealth, comfort, and a life of abundance. Yes, your last chance may indeed be your best chance to becoming a millionaire!

Douglas R. Andrew  
Fall 2006

# CHAPTER 1

From Broke Boomer to

Blazing Bloomer

Remove the Obstacles to Your Future Financial Well-Being

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. If you're among the oldest Boomers, those born right after World War II, you will have to face this issue sooner rather than later. After all, according to the U.S. Census Bureau, 330 of us are turning 60 every hour.

I say "us," because I am one of you. I was born in 1952, and like you I am part of the largest population explosion in history. So we're in this arena together. As a financial strategist and retirement specialist, I know it's one thing to talk about the game, but another thing to play it.

It's likely we've all carried a common dream throughout our lives—achieving financial independence. Creating wealth. Maybe even obtaining that elusive status: "millionaire."

Well, here we are, with retirement just up ahead. Have you arrived?

Magazine articles and television news sometimes suggest that Boomers all have bundles of money, as well as a nice big home, and retirement IRA and 401(k) accounts that are growing steadily in value.

Unfortunately, it's not that simple.

To begin with, even the oldest Boomers may not expect to quit working on their 65th birthday. Whether it's out of financial necessity or lifestyle preference, many do not anticipate retiring in the traditional sense.

It has been well documented that unlike our parents' generation, we are less interested in "playing golf every day." We are more active, more likely to work beyond the traditional retirement age of 65, and, unfortunately, less financially prepared than our parents were for the "golden years."

According to the Bureau of Labor Statistics, the average age of retirees is 68. The life expectancy for a normal, healthy male age 65 is another twenty years, to age 85. If a person stops earning income at age 68, there is now a seventeen-year gap to cover with retirement resources, rather than the five-, ten-, or twelve-year gap that existed just one to two generations ago. Based on the better health and mortality (life expectancy) of the upcoming Baby Boomer retirement force, "retirement" in the traditional sense should now be at age 73! For many Boomers, retirement planning needs to provide adequate resources to last thirty years or longer. This book will help prepare you so you don't outlive your money.

Beyond whatever size nest eggs we may have nurtured, Social Security is often something Boomers expect to incorporate into their retirement. But there are conflicting statistics and studies about how much money we will be able to collect in Social Security, as more and more of us begin dipping regularly into that wellspring of dollars established by the federal government some seventy years ago.

In fact, the national Social Security Trust Funds could be headed for serious trouble. The 2006 Trustee's Report projects that the Social Security Trust Funds will totally run out of steam by the year 2040 unless there is serious reform.

I maintain that Social Security benefits should be viewed as a supplement to your retirement, not as your primary source of income. It should become a bonus for, not the basis of, your planning.

#### WHAT MAKES YOU ANXIOUS ABOUT RETIREMENT?

Are you concerned about the possibility that, like the pair in the cartoon, it's too late to plan for a comfortable retirement? Do you believe you have not saved enough—or anything substantial at all—and must start from scratch? Do you fear that not only will you never become a millionaire, but that you may end up a Broke Boomer?

Many of your fellow Boomers have the same concerns.

- DO you think it's too late in life to catch up with wealthier friends, customers, or business associates in your circle who seem to have it all—a great house, a second getaway home, a plan for making their money last?
- ARE you worried that even if you do have enough, you might outlive your money and wind up dependent on charity or your children when you are old?
- DO you believe you are powerless to reverse the course of your personal financial history?

At age fifty-four, when I sit down and project myself into the future ten or fifteen years, I ask myself, "What has to have happened in my life leading up to age sixty-five or seventy, both personally and financially, for me to be happy with my progress toward my golden years?"

When I visualize how I want to live during retirement, I know that realistically I need to focus now on eliminating the barriers that would prevent me from realizing my vision. I also need to determine which strategies, resources, and opportunities I can use right now in order to achieve my goals. Lastly, I need to harness and direct my best abilities and strengths to optimize all of my assets.

A wonderful friend and entrepreneurial coach, Dan Sullivan, taught me to have a conversation with my clients framed around their greatest dangers, opportunities, and strengths. I use this framework with my clients to understand where they are and where they want to go. Inasmuch as most of my clients are Boomers and retirees, allow me to outline what they have shared. When I have these enlightening conversations, it's apparent that people are confused. They feel isolated. They feel powerless.

How about you? Do you share any of the following concerns? Do you want to learn how to employ some of the strategies listed? Do you have any of the abilities outlined below?

#### GREATEST BARRIERS TO OVERCOME:

- Not having enough money accumulated for retirement
- Outliving your income after retirement
- Losing your ability to earn and save
- Consuming instead of conserving retirement resources
- Losing your health and mobility
- Dying too soon and leaving others without adequate resources
- Having resources dwindle due to taxes and inflation

- Using up resources to pay for long-term health care
- Having to work to make ends meet
- Not having enough resources to care for your parents physically and financially as they age

#### GREATEST STRATEGIES TO EMPLOY:

- Tapping into one of your greatest assets—your home equity
- Realizing that it's not too late to become wealthy—there's still time
- Turbocharging your retirement savings
- Employing the three marvels of wealth accumulation
- Taking full ownership of your retirement
- Overcoming or avoiding Baby Boomer Blunders
- Initiating a strategic rollout of your IRAs and 401(k)s
- Repositioning assets for greater liquidity, safety, and rate of return
- Becoming your own banker
- Redefining yourself at retirement

#### GREATEST ABILITIES TO UTILIZE:

- Possessing a good work ethic
- Having one to two incomes with more discretionary dollars to set aside
- Having home equity available to use for safe leverage
- Still having enough time left to accomplish retirement goals
- Dispelling myths from parents who grew up in the Great Depression era
- Having the capacity to live longer and more healthfully
- Having the ability to work longer and contribute value far beyond age sixty-five

If you feel you have some of the same barriers that are blocking the path to your financial security, this book is meant for you:

- It can help you overcome and alleviate the greatest barriers you are facing.
- It can provide you with refreshing and proven strategies.
- It can reveal and harness your best abilities that need to be utilized to succeed in reaching your goals.

## HOW THE LAST CHANCE MILLIONAIRE WILL HELP

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.

This book will give you new direction. It will instill greater confidence for your future. Through the creative 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!

The most important thing I want to give you is an insight-based experience. When you have insights that are yours, you are able to make a change for the better. You will experience epiphanies—those moments when you go, “Ah hah! I get it!”

There’s still time to become a “last chance millionaire,” or what I also call a Blazing Bloomer! You can still get your act together, even though it’s late in the game. But it is going to take work on your part. I don’t have a get-rich-quick scheme. I have a system, but it requires that you optimize your assets and discipline your spending—that you conserve rather than consume.

I ask that you abide by three ground rules as you read this book:

- First, I would like you to keep an open mind about my system, even if some of the strategies I suggest sound counterintuitive.
- Second, be willing to suspend your disbelief until I present my full arguments in favor of certain ideas that might be different from the conventional retirement financial planning wisdom you have heard up until now.
- Third, I want you to avoid justifying why you have not taken certain financial steps. By the time I connect all the dots, you will understand how you can make major improvements in your financial future.

## DISCARD OUTDATED INFORMATION AND CLEAR THE PATH TO NEW IDEAS

First, I will introduce you to common misconceptions about money and the blunders many Baby Boomers have made with their money. You've always been told that the way to get ahead is to buy a home, get a cheap mortgage, and pay it off as quickly as you can. You have also been told to sink as much money as possible into an IRA or 401(k) plan, and to make sure they produce a high rate of return. For years you've been bombarded with this constant stream of conventional wisdom.

But I am about to prove to you that old, conventional wisdom in this case is wrong. Just because for thousands of years most of humanity thought the world was flat, it didn't make it that way. In my previous book, *Missed Fortune 101*, I wrote that, "All the dogs barking up the wrong tree doesn't make it the right one." I will establish my case that socking away money into IRAs and 401(k)s and making extra payments on your mortgage are both counterproductive.

I will show you a different and totally revolutionary approach. I believe it is possible to cure your mistakes, to avoid making new blunders. There is a better way to gain financial independence.

Yes, my strategies go against the current of traditional financial planning. In fact, most of the tactics I will offer you are contrary to popular belief. Yet all my advice is based on fact, tax law, and the practical application of thousands of very wealthy people.

But I'm giving you fair warning. These strategies are not for financial jellyfish. These strategies are for forward-thinking, disciplined people who are ready to examine their own roadblocks to wealth. They are for people willing to buck the trend of misguided, typical financial wisdom and instead make the most of proven, yet less familiar, methods to create a personal plan for true wealth.

My suggestions are for the majority of hardworking families with husbands and wives who have reached a degree of financial stability by working most of their adult lives. However, if you are among the few who are already financially independent, I will show you how to experience a meaningful transformation as you are enlightened by opportunities you didn't know existed. I will show you how to develop a proper PLAN—an acronym for Perpetual Life of Asset Nurturance™. When we learn to nurture all of our assets properly, we create a new life for them that will live on into perpetuity.

In short, I will give you direction, confidence, and capability to achieve your dreams.

## MY “ELEVATOR SPEECH”

Once again, I must warn you: Do not expect me to show you how to get rich quickly. Be prepared to study, listen, learn, and do basic homework. This book is not entitled Super-Quick Wealth Enhancement and Asset Optimization for Dummies. Also, please don't get the idea that this book is just for those people who are already wealthy. I want to empower families at every income level and in every tax bracket.

To give you the ultra-brief version of my system, let's pretend we are in an elevator in an office building. You've heard about this book and you ask: “What exactly do you do, Doug?”

Here's my “elevator speech” reply:

You know how most people save for retirement by socking away money in IRAs and 401(k)s, and also try to pay off their house by sending extra principal payments to their mortgage company? Why get a tax break when you put money in a qualified retirement plan, expecting that you'll be in a lower tax bracket when you retire, only to get clobbered by taxes on the back end? To me, that's like driving on the highway with one foot on the gas pedal and the other on the brake. You may get to your destination eventually, but it's a pretty jerky ride.

How about your home? We all know market values fluctuate. What I do is assure people that if their houses go down in value, they will not lose their equity—not one penny.

What's more, if you are sending extra principal payments to the mortgage company, you're killing your partner, Uncle Sam, by depriving yourself of one of the best tax deductions we have as Americans: home mortgage interest.

As you approach retirement, you painfully come to the realization that you've increased your tax liability by postponing it to a time when you no longer have significant deductions. I can show you how to dramatically enhance your net worth and your net spendable retirement income, and never outlive your money, by not doing what most people do.

We've reached your floor. The elevator door is about to open. Do I have your attention yet?

## WHAT ARE THE MAIN ISSUES I ADDRESS?

I will show you how to grow wealthy steadily, utilizing three marvels: compound interest, tax-favored accumulation, and safe, positive leverage. Now, you may be sitting there thinking, “Oh, I already understand those three concepts!” Don't put this book down!

Every month, I have a new group of financial services professionals (often comprising more than 100) come through my intensive three-day asset optimization, equity management, and wealth empowerment training. Many are sophisticated, veteran financial planners, CPAs, and tax attorneys, and the vast majority are surprised when they discover that they didn't know what they didn't know—especially about compound interest, tax-favored accumulation, and safe leverage. Over 80 percent of them flunk a simple, but tricky, three-question math quiz. After the training, they usually admit they have been advising their clients the wrong way.

Please don't get me wrong. These are well-intentioned advisors pointing their clients toward conventional saving and investment strategies that are good. What I want to do is show you that what I teach them is the better or best way to optimize assets and accumulate wealth. A friend once taught me a ditty: "Good, better, best; never let it rest! Never let it rest, till good gets better and better gets best!"

Whatever you've done up until this point, don't worry. It was probably good. But you can begin now to reposition assets—to turbocharge your wealth accumulation. As I often say, It's not what you begin with that counts; it's what you end up with.

Your greatest asset, the one most people already have, is sitting under your own roof. That asset is your home equity. I will show you how to manage it to alleviate unnecessary income tax on your IRAs and 401(k)s. I will teach you how to become your own banker, take ownership of your future, achieve financial independence, and retire in dignity.

I will show you strategies to turn on the afterburners during retirement to dramatically enhance your financial situation, with maximum results at minimal risk. I will teach you a new way to look at tax-favored investments that can offer you predictable asset accumulation and tax-free spendable income.

This is a book for you—a mature person—but there is no reason you can't also hand it to your thirty-year-old children, or newlywed son or daughter, and say, "We've made some mistakes, but here is a way you can avoid them. Learn how to maximize your assets in a tax-favored environment for the next thirty years, and you'll be further ahead."

## YOU, TOO, CAN BE A THRIVER

Lee Brower, president of Empowered Wealth, LC, of which I am a national advisory board member and founding architect, originated the model of Strivers, Arrivers, Thrivers, Survivors, and Divers, depicting a bell curve of financial phases people may go through as they mature (Figure 1.1). Here is my interpretation of these five categories of people:

Strivers are the masses of people who may want to manage their money better, but who don't understand the dynamics of money. They are often financial jellyfish. They live in the here-and-now. All they want to figure out is how to make money and spend it. These are people who, when they need cash, go to a check-cashing store and pay 3 percent to collect some of their own money. They are consumers who spend their savings rather than conserving it for the future.

Arrivers are the former Strivers who, with knowledge and discipline, graduate to the next levels of true wealth transformation. They understand that there are three marvels of wealth accumulation: compound interest, tax-favored growth, and safe leverage using other people's money.

Thrivers are further up the ladder. They are Arrivers who know how to repeat the marvels of wealth accumulation over and over again—with their house, their second home, with other real estate, with all of their assets (Human, Intellectual, Financial, and Civic).

Survivors, on the other hand, are those Thrivers who become more fixated about the return of their money instead of the return on their money. They stop taking the steps that grew their wealth, and it begins to taper off. They say, "I've just got to hang on." These are the people who think Social Security is enough to see them through their retirement comfortably.

Soon Survivors can become Divers, who, with their retirement money taxed on the back end and their asset accumulation models abandoned, run the risk of outliving their money.

How do the Thrivers of the world do it? Stay with me and you will find out how to free up cash and apply it toward achieving financial independence—learning how to put lazy, idle dollars (money you might not even know you have) to work.

I will show you proven methods of building your assets to achieve greater net spendable retirement income and to increase the value of your estate, all in a tax-favored environment. I will also help you figure out which other assets, such as CDs, stocks, bonds, and annuities, you ought to reposition in order to get more zing out of your money.

## A PERSONAL, INSIGHT-BASED, LIFE-CHANGING EXPERIENCE

My wife, Sharee, and I have six wonderful children—four daughters and two sons. Our family loves to work hard, and we love to play hard.

We plan and carry out a family vacation with a specific purpose every six months involving our entire family, including my children's spouses. I'll share more about the power of this concept in Chapter 14. For now, I want to share some insights we gained on a family vacation several years ago.

One summer when school was out, we were able to pick up an inexpensive scuba-diving package in the western Caribbean. After our children were certified to scuba dive, we enjoyed a wonderfully relaxing week on Cozumel Island in Mexico. Each day we would venture out to a different scuba dive site and take in two dives of forty to sixty minutes in duration. The famous Palancar Reef located off Cozumel is touted as the third best scuba diving site in the world (behind the Great Barrier Reef and the Red Sea). It is a protected underwater park. The visibility is often 100 to 150 feet and the water temperature in the summertime often stays between 78 and 82 degrees up to depths of eighty feet. We would arrive back at the resort hotel in time for lunch and enjoy the rest of the day lying in hammocks, reading books, and talking about what we observed and learned that day.

Wherever we dived along the expansive reef, the plant and animal life was beautiful. We observed hundreds of varieties of fish, including jacks, triggerfish, angel fish, snappers, sting rays, barracuda, and giant groupers. Occasionally, if we searched hard in small underwater caves and small canyon walls, we would discover crabs, lobsters, octopi, and large eels. The colors of the fish, coral, and plant life were brilliant.

Toward the end of the week, we opted for a special night diving excursion. The night dive took place just a few hundred yards from the resort pier. We didn't have to travel far to experience what has remained one of our family's favorite dives.

It was a calm, clear night. The moon was shimmering over the gentle tide as we entered the dark water. Two barracudas curiously accompanied us as we descended slowly to a depth of about sixty feet and knelt on the white sandy ocean floor. Looking up toward the surface of the ocean, we could clearly see the moon and stars from our underwater vantage point. We quickly gained an appreciation of the immensity of the earth and space above as well as below the surface of the sea.

Our dive master signaled for us to turn off our flashlights for a few minutes. In awe we observed a scene of hundreds of tiny fish that were illuminated by their own energy source and by the reflection of the moon's light. They looked like tiny, colored neon Christmas lights flickering around us—we were mesmerized by this peaceful scene. Then our dive master directed our attention to the ocean floor that lay ahead of us and signaled for us to turn our flashlights on.

We had been preoccupied with looking behind us—at where we had been. Across the ocean floor, as far as our lights could penetrate, the sea seemed to have come alive. We observed more crabs, lobsters, octopi, and eels creeping, crawling, and slithering in one pass of our flashlights than we had discovered in five days of daytime diving. The ocean floor seemed almost animated, reminding me of the “Under the Sea” musical scene in *The Little Mermaid*. More colors emanated from these creatures than we had ever before seen. It was the same ocean—in fact the same spot—we had dived earlier in the week, but now it was transformed, shimmering with life. It dawned on me that the abundant life had been hidden until the timing was right and a different light brought things out of obscurity.

So it is with the financial strategies contained in this book. An entire ocean of opportunity is there waiting for you. A life of peace and abundance can be yours—as you look forward, rather than behind you. You are about to see new opportunities, new paths, that may have been obscured until the timing was right and someone could shed light on concepts that have been hiding—maybe right under your own roof!

#### SO HOW DO I GET ON THE SMART TRACK TO MILLIONAIRE STATUS?

Only about 5 percent of all American households have a financial net worth in excess of \$1 million. But you, too, can become a millionaire or multimillionaire within just a few years by employing the strategies contained in this book. However, unless you overcome the barriers, employ these strategies, and harness your best abilities, your potential wealth will not come to fruition. This might be your last chance to become a millionaire, safely, and just in time to establish a nest egg that will last as long as you do.

The strategies in this book are designed to help you make up for lost time. It's not too late to become wealthy. But I need to restate once again, it will not happen overnight. If you want to accumulate a million dollars or more in retirement assets as soon as possible, you'll need to pay close attention to ways that you can get a great head start, methods that will have you sprinting past some of your peers.

If this is your last chance to become a millionaire, you'll want to do it right and ensure that you will achieve the financial independence that you desire. Are you interested in having more money? How about a lot more money? Then I implore you to read the entire book.

(As a token of appreciation for investing in the purchase of this book, I also invite you to listen to a special audio CD I have recorded for readers of The Last Chance Millionaire entitled "Secrets of Wealthy People." Please go to [www.MissedFortune.com/Secrets](http://www.MissedFortune.com/Secrets) to hear this enlightening information.)

## THE BENEFITS OF FINANCIAL INDEPENDENCE AWAIT YOU

I've been a financial strategist for more than thirty years, helping people optimize their assets, manage their equity, and empower their wealth. Thousands of people have implemented these strategies and are now on the right path. I have interviewed many of them throughout the world. Here are some of the most mentioned benefits people enjoy (and you can also enjoy) as a result of employing the strategies I disclose in this work:

- You will be able to overcome the greatest dangers and conquer your greatest fears about having enough retirement resources—whether it's money for prescriptions and medical care, or money for golf, cruises, and visiting your grandchildren.
- Have you ever been told you have no hope because you don't have enough money? You will feel greater hope as you embark on a new beginning toward a secure future, able to fight against inflation and taxes gobbling up your hard-earned savings.
- You will be able to prove to yourself and to others that you can become financially independent and savvy. You will be totally accountable and responsible for your own future—fully independent from others—free from any reliance on the government to help provide for your retirement.
- You will be endowed with true wealth—a feeling of peace and abundance—that will allow you to give back to society, especially any family and friends that may need help. You may want to set up your own charitable family foundation or outreach program to help bless the lives of others in need. Your passion and purpose will be able to live on as you freely give to your favorite charities.

- You will enjoy richer and more meaningful relationships with your loved ones. With the proper perspective and priorities in your life, you will find the relationships that matter most will be enhanced when your financial house is in order. Marriage relationships become stronger and more intimate than ever when partners are on the same page, working together to achieve financial independence as a team for a long and fulfilling retirement.

I hope I've convinced you to continue reading. Consider *The Last Chance Millionaire* as your nick-of-time road map to a retirement future free of financial traps and full of promise. This is your time. You can do this. And you can begin right now!

## REMEMBER THIS:

- No matter what your age, it is not too late to examine the current status of your retirement plan—even if you feel behind the curve—to take steps to catch up.
- Be willing to suspend judgment about unconventional financial concepts and try to remain open to brand-new revolutionary strategies.
- Learn the best strategies for optimizing your assets to enhance your retirement income.
- Recognize this key element: Your greatest resource is most likely the equity trapped in your house that can be tapped to fuel retirement savings.
- Build your wealth by joining the Thrivers who get the message, act, and who repeat their successes.

# CHAPTER 2

## Baby Boomer Blunders

### Ten Financial Mistakes You Can Correct Before It's Too Late

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, in 2005, the average Boomer had only about \$30,000 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 to 3 percent of my income, instead of 10 to 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.
- 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 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.
- 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.

### BOOMERS ARE DIFFERENT FROM THEIR PARENTS

Raised after World War II, Boomers bring to their mature years a different set of experiences than those of their parents. Whereas 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."

Contrast that way of thinking to my father, for example, who was a member of the Depression generation. From the time he was young to well beyond his official retirement, he worked hard, saved, and lived a relatively simple life.

When he was starting out, my dad delivered newspapers and then got a job as a stock clerk working at Woolworth. My mother was a sales clerk at the same Woolworth store. When he asked her out on a date, he was fired because it was against company policy for employees to date one another. Of course I'm grateful he was able to find other work and continue the courtship! They were married in 1938.

My mother and father never really talked a lot about suffering during the Depression. My dad had watched his father struggle, but his family didn't lose their home. To them, life was simple because they didn't know anything different. Soon my dad sought security in working for a large company and spent much of his career in management at the Geneva Works of U.S. Steel in Utah.

My father was deferred by the military draft because he was employed in a defense-related industry. Like many, he was enticed by the giant steel industry with company benefits. While many of those who worked for him were union members whose take-home pay was larger due to overtime, he opted for a predictable salary, health insurance, and a pension.

When he finally retired as superintendent of a division, he did collect that stable pension—but inflation made it worth less and less with each passing year. He lived twenty-five years past his retirement and even started a gift and candy distribution company immediately after retiring—not only for the extra income, but also because he knew the importance of staying in motion to keep himself healthy and occupied.

#### WHY BOOMERS ARE LAX ABOUT PLANNING FOR RETIREMENT

Much has changed since my father's day. Unlike their parents, who had to confront joblessness and world turmoil early in life, many Boomers want to live life as it comes—every day, every month, every year. They don't worry the way their parents did about putting something aside for the future. The concept of having "something to fall back on" does not grip them in the same way. Having witnessed how the government bailed out failures such as Chrysler and the savings and loan 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 their job—it's in the unique skills of an individual and in an individual's 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.

#### HELP! I'M RUNNING OUT OF TIME!

Like it or not, time does catch up with all of us. Perhaps you are among those who, at age forty-five or fifty, insist: "I'll worry about retirement later." Or perhaps you think that putting \$500 aside each month or \$6,000 each year is too much of a sacrifice to your present-day lifestyle.

If so, listen closely. However great a sacrifice \$500 a month may seem, it is not going to cut it. Indeed, you really don't have the time to sock away \$1,000 a year for thirty-five years like young people do.

Instead, I want to help you find \$100,000 or more. You probably think you don't have that much money. You don't realize it, but you do—and it's sitting right under your own roof!

Using safe leverage—which is what banks and credit unions do—can be the answer to your search. Separate \$100,000 of equity from your house, put that \$100,000 to work for you safely, and it can grow into a sizable retirement nest egg. Let it sit for just 7.2 years at 10 percent, and it can grow to \$200,000. (That's the rule of 72 that I will talk about in detail in Chapter 4.) If you are age fifty, the \$100,000 could double twice before age sixty-five, blossoming into a \$400,000 nest egg!

My point is, you can't set aside the same money you are earmarking for a boat, a new truck, or a vacation in Hawaii. You have to allow it to accumulate in a systematic way. You need to conserve, not consume.

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

#### MISCONCEPTION #1: 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 3.5 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. It seemed to make sense because returns were very good, over time. Mutual funds are long-term investments.

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 people held them for only 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, ATV, or Jet Ski.

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.

After reading this, 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. As you make your way through this book, I'll show you that neither this blunder nor these other common misconceptions need to cast a permanent shadow over your retirement.

#### MISCONCEPTION #2: I WILL PROBABLY LIVE FOR ONLY 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 of American society, no matter what 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 twelve and a half years. Now it is over seventeen years.\* Your parents might have lived into their 70s or 80s, 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 70- or 75-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 very, very 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 tables revised, but so was the tax code. Recently the mortality (life expectancy) 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!

In a couple of Goal Cultivator™ groups that I have organized among family and friends, I conducted an exercise outlined in a curriculum developed by Dan Sullivan, called The Lifetime Extender™.\*\* It's the same issue we're getting at with clients. The Koreans call it kop-jocki, meaning "suddenly—without previous thought." Try it, and it will help you approach your life expectancy in a more realistic way. Thanks to Dan, it did for me.

Here goes.

Spit out the first number that comes in your head when I ask this question: "At what age are you going to die?" Now write down the number.

Invariably Boomers write down numbers between seventy-five and eighty-five. Why? Either that's when your father or mother passed away, or you are adding five or ten years to the age at which he or she died, figuring you might make it a little further down life's road because you exercise more regularly, eat better, or have given up bad habits like smoking. Even if a parent lived longer than this, you tell yourself: "I don't want to live any longer than that because I won't be healthy."

Next, ask yourself: "If I were to die at eighty-five, what condition would I like to be in—physically, mentally, emotionally, and financially—at age eighty-four?"

The near-universal reply: "I would like to be sharp as a tack. I want to have enough money. I still want to be capable of taking care of myself; I don't want to be a burden to anyone."

In other words, everyone wants to be healthy until the day they die.

Then picture yourself in that state and ask, "What am I doing to make sure that happens?" People usually reply: "I'm eating better. I'm getting more exercise. I've been planning my finances so I won't be penniless," and so on.

Then ask: "If I'm really in that kind of shape at eighty-four, how much longer will I likely live?" Like most, I answered, "Well, if I'm really in that good of shape at age eighty-four, I'll probably live another ten or twenty years."

The next question: "And if I'm going to live another ten to twenty years, what would I start doing?"

"I'd probably play golf more; I'd travel; I'd pay more attention to my civic duties," and so on.

At this point, ask yourself, “Okay, why don’t I start doing some of those things now?”

There’s more, but you get the idea. When Dan does this exercise, he discovers that most people will psychologically extend their lives at least another ten, fifteen, even twenty-five years. I myself extended my life to age 105 almost instantly.

Now here’s the importance of this exercise; by changing your mind to live to age ninety, ninety-five, or 100, you boost the likelihood that you will actually live that long. Change your mind to live longer, and most likely you will.

The truth is that within the bounds of reason, most people die when they think they are going to die. In my practice, I find that people almost program themselves to shut down at a certain stage. If you give them a new viewpoint, people live longer, unless something crops up that’s unexpected or out of their control, such as cancer or a heart attack.

From a financial standpoint, this means that if your spending habits are designed to cover you up to age eighty-five, but you are conditioning your mind to think in terms of living longer, you will need to incorporate the strategies in this book so you don’t outlive your money.

### MISCONCEPTION #3: I BELIEVE THAT FINALLY PAYING OFF MY HOUSE MORTGAGE 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 anymore, you’ll now 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 have 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."

Later on, I will show you how to put those lazy, idle dollars to work for you in a tax-favored environment. For now, 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 are, more often than not, the ones who probably would sell it and spend all the money they get for it within six months.

#### MISCONCEPTION #4: MY \$100,000 TO \$300,000 NEST EGG IS GOING TO CUT IT 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 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 eighty-five or ninety. 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 going to provide only eight and a half 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.

#### MISCONCEPTION #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 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."

#### MISCONCEPTION #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 (66.7-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 grows to only \$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."

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

Actually, when you 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? I will show you, a bit later on, that by marrying several concepts and strategies together that are explained in Chapters 3 through 12, 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 from it on the back end. I will prove that this strategy will give you 50 percent more net spendable retirement income than traditional retirement accounts. Or, it would 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.

#### MISCONCEPTION #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 kinds 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.

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 prudent Americans are choosing to save taxes on their seed—their contributions to IRAs and 401(k)s—and then they are faced with a huge tax hit when they want to reap the harvest from it (as they start to withdraw money when they are retired). Please refer to Figure 2.1.

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 later chapters, I'll go into considerable detail on these often misunderstood and confusing retirement plans. In the meantime, 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.

MISCONCEPTION #8: IF I REACH THE AGE OF 59<sup>1</sup>/<sub>2</sub> OR 70<sup>1</sup>/<sub>2</sub> 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<sup>1</sup>/<sub>2</sub>, 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 59<sup>1</sup>/<sub>2</sub> or postponing until age 70<sup>1</sup>/<sub>2</sub>, is a bad idea. It's like refusing to change the oil in your car when it could have cost you \$30 to \$50—maybe less—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. I will prove 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.

They 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 (see Chapter 9).

MISCONCEPTION #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 simply afraid they won't have enough money. 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 globe-trotting and to do all the other things on your list. I am big on stopping to smell the roses along the way.

## MISCONCEPTION #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 sixty-five—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 eighty, he was wealthy and famous with franchises 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 seventy, 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 on in 2003, but his ice cream legacy lives on and is managed by his son Michael.

People need to realize that their 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 reward you for that usefulness. Whether it’s your business acumen, or your life experiences, or even a simmering talent for music or art that have been on the back burner—this is the time to share what you have within.

“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 book is to reassure you that it’s not too late to learn how to make course corrections and start navigating in the right direction. You can overcome or prevent these blunders.

By way of illustration, let me tell you about a close friend who is a barber.

Carey is a Vietnam War veteran with a small shop in a strip mall in San Diego.<sup>\*</sup> Having cut people’s hair for more than thirty years, he has a loyal group of customers and makes a decent living. Carey is not a big spender; he likes nothing more than to spend his days off fishing and hunting. But he had saved very little money, and figured he would have to keep working the rest of his life.

Periodically, I urged Carey to come and listen to my equity management/asset optimization seminar. After I wrote *Missed Fortune 101*, I suggested he read it, but like many fellows, he’s not much of a reader.

Then a few years ago, the spot where his small home stood was rezoned from residential to commercial, which dramatically increased its value. A company made him an offer he couldn’t refuse, and he sold that home previously valued at \$200,000 for \$550,000. His first inclination was to buy his “dream home” for cash using most of that money and put the rest in the bank.

“I’m set,” he told me.

Sitting in Carey’s chair, listening to his plans, I could hardly contain myself. “No, no, no! You want to mortgage your new home to the hilt, and, if you qualify, take out a home equity line of credit for the difference,” I said.

“How can I afford the payments?” demanded Carey.

“You’ll get more than enough money from the interest you’ll be earning on the cash you did not put into the house to make your mortgage payment,” I insisted. “The point is, this is your key to a financially secure future.”

That got Carey’s attention. He came to one of my seminars and sat in the front row. Afterward I said to Carey half in jest, “Every month you put off applying these concepts will probably cost you \$50,000 down the road.” He thought I was kidding.

The next time I taught a seminar in San Diego, he returned, this time with his wife. She listened and said, “I’ve always been taught to first pay off my house. This is intriguing, but is it safe?” She had the normal concerns.

My trained staff consulted with both of them. They began to grasp the numbers, and how their retirement would be dramatically enhanced. Catching wind of their plans, their family was nervous at first. Carey's father wondered what on earth he was doing, and we reassured him we weren't going to put his finances in jeopardy, but actually increase the liquidity, safety, and rate of return on their most precious financial asset. Carey realized the incredible transformation that could occur and saw that by taking this new route, cutting hair would be something he could do part-time in retirement because he wanted to, not because he had to.

Eventually they bought a beautiful new house, financing 100 percent of the purchase price by taking out a large mortgage. We helped him put into practice the concepts I had outlined in the seminars and in my books *Missed Fortune* and *Missed Fortune 101*. Carey and his wife now indeed are "set"—not in the conventional way they originally thought they would be, but in a far more sensible, although unconventional, way.

Carey, who is now fifty-six years old, will have a nest egg by the time he is sixty-five that will be considerably greater than the amount they need to pay off their house if they ever want to. That nest egg will generate enough income to not only make their after-tax mortgage payment, but also to give them a few thousand dollars left over every month. Cutting hair will be his hobby during retirement.

What I call the True Wealth Transformation™ had taken hold. When Carey realized he was going to be secure financially, he was motivated to make other positive changes in his life.

He changed his diet and lost fifty pounds—not just because the physical exam he took to qualify for the maximum tax-advantaged life insurance showed he was a borderline diabetic, but also because he now realized he wouldn't outlive his money. Carey has had to buy a whole new wardrobe. He is able to go fishing a whole lot more.

He knows that taxes and inflation won't ruin him. He is amazed at how financially savvy and confident he has become as he has dialogues with customers in his barber chair. He enjoys the amazed look on some of his friend's faces who thought his retirement resources would never amount to much. And yes, he is enjoying the enhanced relationship he has with his wife as they decorate their new home, landscape their yard, and prepare for the retirement of their dreams. Most of all, he no longer feels confused or powerless. He has greater confidence in his brighter future because he has a new direction.

## REMEMBER THIS:

- Acknowledge that you may have made mistakes, as a prelude to making course corrections.
- Review your current investments; do they match long-term goals?
- Ask yourself how long you expect to live, how long you want to live, and what you can change to achieve healthy longevity.
- Write down how much money you have put away for retirement and how much more you honestly believe you need.
- Examine last year's tax returns to see what tax bracket you are in and whether you expect to be in the same bracket once you retire.
- Assess each of the ten misconceptions that Boomers have and check those that apply to you.



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