WEALTH BEYOND WALL STREET

The Roadmap to Wealth and Independence with Peace of Mind

Brett Kitchen & Ethan Kap
WEALTH BEYOND WALL STREET
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Printed in the United States of America
Year of First Printing: 2015

Cover Design by: Ken Wilcox
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A deep-hearted thanks to my fabulous wife Erika who supports me in this amazing venture called life, and my parents Brent and Kathleen Kap who taught me how to live life to the fullest.

Ethan Kap

For my wife, Tiffani, who puts up with endless hours of work and the roller coaster of life married to an entrepreneur, my kiddos who love it when dad gets home, and my parents, Dan and Becky Kitchen who taught me the value of hard work, integrity and good living.

I love you very much.

Brett Kitchen
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FOR SKEPTICS ONLY

What does Wealth Beyond Wall Street mean? Here’s what it isn’t: stuffing your money in a mattress or hunkering down with gold bullion. You don’t even have to have a million bucks to be in the club. Becoming wealthy beyond Wall Street means you’ve started on a low-risk path that will keep your money safely growing over time—guaranteed. Rest assured, for the average American, the dream of becoming a millionaire is not out of reach. In fact, the blueprint is sitting in your hands right now. Here are some of the most common questions people have had before joining the ranks of the wealthy beyond Wall Street.

1. **Is it really possible to become wealthy outside of Wall Street?**

   Actually, it depends. It’s not for everyone. Some people are addicted to the ups and downs of the market—and believe it or not, they can’t understand how their money can safely grow each and every day regardless of the economy, market or latest bad news on TV. If that’s you, then sorry—now’s the time to shut the cover on this book and pass it on to someone who wants some security and peace of mind in their financial future.

2. **Is it too late for me?**

   No way! No matter what your age, many of the concepts embraced by Americans getting wealthy outside of Wall Street can be used to grow and safeguard your money for you or your family at any time.
3. **Do I have to scrimp and save and basically eat beans and rice in order to grow my money?**

   Nope. No dietary changes are required to join the club. In fact, once you discover how to Finance Yourself To Wealth™ you may just end up living better, while saving money doing it. There’s nothing like living the high life, without the heavy dose of guilt or the pressure of a too-tight budget.

4. **Is this just more pop culture investment advice?**

   This book is for anyone who is sick of the stomach turning ups and downs of what we like to call the “Wall Street Roller Coaster”. The principles taught in this book have been around for years. And case studies range from start-up business owners to the average American household and anywhere in between. If you’re sick of the status quo and ready to stop drinking the financial guru Kool-Aid, this book is for you.

5. **Is this just another financial dead end? How do I know whom to trust?**

   Fortunately for all of us, the solutions we share with you in this book have been around for over 100 years. In fact, there’s a good chance your parents or even grandparents used some of these lost strategies decades ago…you might say we’re bringing some financial wisdom back from the dead!

6. **Do I need to be a financial whiz?**

   Not at all. In fact, I think you’ll find the whole process refreshingly simple. No monitoring the markets and no complex calculations you need to worry about. Once you get going, becoming wealthy beyond Wall Street can happen almost on autopilot.
Section 1

STATUS QUO KILLERS

“Status quo, you know, that is Latin for ‘the mess we’re in.’”
— Ronald Reagan

“Bureaucracy defends the status quo long past the time when the quo has lost its status.”
— Dr. Laurence J. Peter
Chapter 1

LIES, ADVENTURES, AND KILLING THE STATUS QUO

I was lied to.

Lied to by Washington politicians and the Wall Street propaganda machine.

I started my career helping business owners improve their businesses, increase their cash flow, and grow their profits. It’s always exciting to see a client increase their income and create financial independence while working with me. It’s one of the most satisfying things I do.

As I started making money, I was shocked at how much I was paying in taxes and immediately looked for as many tax advantages as possible.

With the advice of our CPA, I created an IRA so I could get the deductions and I invested that money in stocks. I was also buying stocks on my own and putting money into several other funds managed by “experts” in the market.
Seeing the numbers these investors were quoting, I was excited by the idea that my money could be doubling every seven to eight years…that I could create a million-dollar nest egg and retire wealthy.

That was my plan. Becoming financially independent was always my goal. Having the freedom to choose whether I wanted to work or not. Having the money to travel the world, enjoy a great lifestyle, and provide a financially sound, happy life for my family was my top priority.

I became so excited about the funds I was investing in, I even convinced my own family members to invest their hard-earned money as well.

I listened to many of the major gurus on TV and so called experts on Wall Street and became indoctrinated by the Wall Street propaganda machine. I had been convinced that I needed “aggressive growth” during my younger working years in order to create a nest egg and have a good retirement income in my later years.

The allure of huge returns and people getting rich in the market was blinding.

Like a fool, I didn’t look deeper into the Wall Street machine to see who was really making the money.

I didn’t realize that I had been indoctrinated, like millions of Americans, to do exactly what the puppet masters in their New York towers wanted us to do.

Who was getting rich in this system?

Was it the average-Joe investor?
Were there really any mutual-fund millionaires?

Or were the guys at the top that managed the funds and charged the fees making all the money?

Like one investor quipped when he visited the yacht club for the fund managers, “Where are all the customers’ yachts?”

But I never asked those questions.

I was high on “Hopium.” I was hoping that I would get great returns by investing in the market.

Then, at once, it hit.

In a heartbeat, like many Americans, I lost over 35% of the hard-earned money in my stock and IRA accounts.

This was a crushing blow.

I was sick about it.

My dad had warned me, and like a fool I ignored his advice and paid for it.

I felt terrible, but at least I was young and had time to recover. I actually felt even worse for my business partner, Ethan, and his father. Ethan’s father lost over half his retirement savings, savings he had worked over 40 years to build.

The timing couldn’t have been worse.

He had just recently retired, and now the plans and dreams he and his wife had were dashed. It was financially and emotionally devastating.
The drop happened so fast that there was literally nothing I could do about it.

Many people felt the same way—horrified by seeing their hard-earned money disappear right before their eyes, but powerless to stop it.

Of course, any time a crash happens—(whether it’s 1973, 1987, 1997, 2001, 2008, or the next crash)—the money magazines, the talking heads on the TV investing shows, and the brokers on Wall Street all echo the same talking points like a chorus of trained parrots. “Don’t sell, don’t sell! Hold on to your stocks—they’ll come back.”

In true fashion, over the course of five or six years the market slowly creeps up, just barely edging back to where it was before the big crash started.

People breathe a collective sigh of relief. “At least my money is back to where it was before!”

It’s celebrated, like getting back to even is some kind of great achievement, even though people have lost five years waiting for it to happen.

What no one will tell you is that, on average, over the past 100 years, every 5-7 years there’s another market correction or market crash. Often, this takes investors on a yo-yo ride of ups and downs, only to see that, after 10 or 15 years they’re about where they started.

The reality is you’ve lost those five years forever.
But it’s worse than that. It’s not just about market losses—it’s also about taxes. The ravages of taxes can be as deadly to your wealth as market losses, or in some cases, even worse.

In this book, you’ll discover the truth about the so-called “tax benefits” of qualified plans (i.e. 401(k)s and IRAs) and it will probably shock you, like it did to me.

After the experience of losing over 35% in my IRA, I said enough.

One of my core values is “Find a Better Way.”

So we went on a mission to discover what real-world millionaires were doing to protect their money from taxes, to grow it with good returns and keep it protected while everyone else was getting crushed.

This mission took us on trips across the country and back… giving us exciting experiences we never could have imagined.

One of our first mind-blowing moments happened in a small town outside of Atlanta, Georgia. Ethan and I met with a financial expert who trains thousands of financial advisors across the country on how to help their clients save on taxes.

On a whiteboard, he took us through the numbers and showed us exactly why qualified plans actually cost people more in taxes than they saved them.

We were shocked.

Even though I saw the math with my own eyes, I refused to believe it. I said audibly, “That can’t be right. Qualified plans are supposed to save us taxes, not cost more in taxes.”
He replied with a laugh, “Don’t worry—everyone says the same thing when they see the truth. At first it’s hard to believe because you’ve been sold on the status quo, but the math doesn’t lie.”

In chapter 5, I’ll walk you through the exact same scenario he showed us . . . and I think you’ll be as shocked as I was.

Another amazing trip took us to Detroit.

We were picked up in a limousine at the airport and driven through a part of town that looked like a war zone.

This happened during the midst of the Great Recession. Car manufacturers were crushed, Detroit unemployment was off the charts and the city was dying.

The roads were torn up with potholes everywhere. We drove past buildings with windows completely broken out and homeless people on the sidewalks.

The trip took us 30 minutes outside of downtown Detroit to a big office in a small town. Jim’s company was making over 50 million per year, and he was a very nice, down-to-earth guy. (So down-to-earth in fact that, after our meeting, he took his motorhome into the mountains for two weeks and left his cell phone at home.)

The “ah-ha” moment here was when he showed us a concept we could use that allows everyday people to earn gains on the same money twice. Banks use fractional reserve lending to earn interest on money they have already lent out. This strategy allowed us to do something similar.

We learned how to finance ourselves in buying cars, homes, vacations, and making other major purchases through a financing
system we could control and profit from instead of paying banks to finance those purchases.

It was mind-blowing that everyday people like me could actually be on the right side of the banking equation—paying ourselves interest instead of paying interest to the banksters.

“Why haven’t we heard this before?” we asked Jim.

His reply made perfect sense. “Who’s going to tell you about it? It’s not in Wall Street’s or Washington’s best interest. They control the media—heck, Wall Street owns many of the media companies. What do you think they are going to promote?”

You may want to read chapter 9 twice to learn how all this works.

A very strange thing happened on our next trip around the country.

It took us to an estate on a lakefront property down by Florida. Tom and his family had sold their company for over 500 million dollars.

The first house I saw as we pulled into the private lane was large and beautiful, and then I saw the “real” home. (I later found out that the first one was just the guest house.)

Tom and his wife took us on a tour of the property in a golf cart past the pool and down to their boathouse on the lake. There were two boats and two jet skis docked right on the water.

On the way down to the lake, Tom pointed out the graveyard.

“A graveyard?” I asked incredulously.
“Yes,” he explained. “After we bought the property, a gardener discovered the graves and came in asking, ‘What should I do with the graveyard?’”

The estate was so large that they never knew that there was a small graveyard on it before they bought it. The graves are over 100 years old, so they can’t move them!

In my conversations with Tom, he told me something I’ll never forget.

He said, “It’s no wonder why there is such an incredible difference between the wealthy and the middle class in this country. It’s about taxes.

“There are tax-saving advantages and strategies available that are incredibly effective. The problem is that typically, only the ultra-wealthy research and implement them. The middle class gets brainwashed into following the status quo with qualified plans like 401(k)s. They are getting crushed by taxes and never get ahead that way.”

In chapter 8, you’ll discover a strategy that many experts agree is one of the biggest tax-saving benefits that still exists in the tax code, and you won’t have to pay a million-dollar tax attorney to show you how to use it.

One of the most important gems we’ve learned and share in this book came from a man Ethan and I met at a Chili’s restaurant about a mile away from my house.

At the time, I had no idea who Steve was.

But fate brought us together.
He found our business online and was impressed with what we were doing, so he invited us to meet him for lunch. Little did I know that I was in the presence of quite possibly one of the wealthiest men in the world.

After getting to know him and working together for a couple of months, he invited us up to his home to watch a March NCAA basketball tournament game.

When we pulled up, I was shell-shocked.

The house was a palace.

As you walk in through the huge 14-foot hardwood doors onto the circular Travertine landing, there’s a beautiful full library on the left with hardwood shelves covering all the walls and a grand piano on the right.

Downstairs there’s a dance studio, a full indoor basketball court (my favorite part), a huge theater (including a popcorn maker, my second-favorite part) and outside, a pool with a waterslide.

Then he took us out to the garage. This was truly amazing; we saw his 22-car garage complete with an elevator to move cars from the first floor to the second floor.

Even more impressive were the fully restored classic Shelby Mustangs, Camaros, and dozens of other beautiful classics.

The amazing part of the experiences we had was that the millionaires and multi-millionaires we met weren’t really all that affected by the Great Recession.

In fact, Steve was building his multi-million-dollar mansion right in the middle of it—the recession didn’t faze him.
Steve took Ethan and me under his wing and mentored us. We spent 2 hours at his office every Thursday afternoon, learning from a man who taught us the strategy we reveal in Chapter 8.

Some people say this sounds “too good to be true” when they first see it—but it is true, and you’ll see why in Chapter 8.

We were blessed to go on this amazing journey where we learned from people who created jaw-dropping wealth—safely.

As we picked up these priceless gems from the experts we met on our adventures across the country, we implemented them in our lives.

We tweaked them, refined them, and developed a framework that has been life-changing for us.

It’s incredible to see your net worth double or triple in just a few short years; knowing that you are creating a nest egg protected from market downturns that can provide tax-free cash flow without the government’s sticky fingers taxing it. It’s gratifying to pay off debts and release yourself from those heavy obligations.

It’s exciting to be able to take advantage of the strategies typically only used by the wealthiest of people.

We called it the Wealth Beyond Wall Street Framework because that’s exactly what we have developed: A process to become financially independent without gambling in the market or losing money on high-risk investments.

It’s not going to happen overnight. It’s not a “get rich quick” scheme. But, if you implement these three steps, you can get there.
The first piece of the 4-step Wealth Beyond Wall Street Framework is:

1. **Get your house in order.**
   
   You can never grow wealthy when you spend more than you make, or you don’t control your money.
   
   It’s essential to start with getting organized, making sure you know what money is coming in and where it’s going, and having a plan to track spending and get out of debt.
   
   The second step is:

2. **Build on a steadfast foundation.**
   
   Every great building is built on a foundation of rock-solid concrete, steel, and rebar.
   
   No builder would ever dream of building a million-dollar home (or any home, for that matter) on a pile of sand or mud.
   
   Just like the parable of the wise man and the foolish man—the wise man built on the rock and, when the storm came, his house stood firm. The foolish man built on the sand and, when the storm came, it washed his home away.
   
   If you build your wealth on a strong foundation, when the storms of stock market crashes hit or the economy goes into recession or depression, you are the wise man with your financial house built on a rock that will not fall.
   
   Now you can live with a peace of mind difficult to come by in the tumultuous world we live in.
   
   The third step is:

3. **Amplify Your Wealth.**
   
   This is where it gets really exciting.
This is where you start seeing your wealth grow quickly because you can literally earn interest on the same money twice. (Remember, this is similar to how banks do fractional reserve lending, but you get the benefits—not them!)

This is the strategy we used when buying our office building and most recently a lot on our private waterski lake.

In chapters 8, 9, and 10, you’ll see all kinds of examples of how you can Amplify Your Wealth by using these strategies.

The last step in the Wealth Beyond Wall Street Framework is:

4. **Multiply Your Wealth.**

When you multiply your wealth you aren’t just getting a few percentage points of growth each year. Now you are seeing your wealth compound in multiples.

The concept behind multiplying your wealth is that you are able to generate capital that becomes a source of passive cash flow you can live off for the rest of your life.

This is where you truly enjoy financial independence, because you now have the freedom to decide what you want to do with your time and talents.

There are several ways you can multiply your wealth. In a later chapter we share several of our favorite and most proven methods of millionaires across the country.

We developed this framework over the years. We still use it today to create real wealth for ourselves and families. Now we have put it together into an easy-to-follow formula in this book.
We lived through the devastation of losing money in the market and getting crushed by taxes.

It was those experiences that led to our mission to change the way Americans save and invest their money, so you can achieve true financial independence with a plan that won’t let you down.

America means freedom. It’s very different to have financial independence by following a stock market and retirement system designed to enrich those in Wall Street, and a tax system that empowers Washington politicians to take more and more of your money.

Blindly accepting the status quo—the idea that investing in the market using “qualified” plans would create the retirement of my dreams—got me burned.

Even more tragically, the same thing is happening on a huge scale right this minute, to people all across the country.

How to Kill the Status Quo

Does any of this “status quo” conventional wisdom sound familiar?

1. Diversify with mutual funds.
2. Max out 401(k) contributions.
3. Keep your credit score high, and shop for low interest rates.
4. Buy term and invest the difference.
5. Put your money in the market to get a good rate of return.
6. Defer taxes until later. (The reality that exposes this myth is really going to blow your mind.)
All this sounds good, but how many folks are really getting ahead financially following this advice? The problem is we’re often taking advice from people who may actually be keeping the truth from us for their own profit.

We’ve heard the same old tired commentary from experts, gurus and TV personalities for years. Their job isn’t to make you wealthy. It’s to fill airtime and sell advertising. In short, they are paid to crank out microwave money content as fast as they can to keep their magazines or airtime full.

Likewise, the conventional wisdom preached from the ivory towers of Wall Street was likely never intended to make the average American wealthy. It’s engineered for Wall Street’s profit.

So, how well has it worked for the average American?

You probably already know the answer because you live it every day. But let’s take a look at the proof:

- Half of all households headed by workers aged fifty-five to sixty-four have less than $88,000 in retirement accounts.¹
- The average American household with at least one credit card has nearly $10,700 in credit card debt.²
- Trillions of dollars have evaporated from 401(k) accounts.³
- Of those between 45 and 64, 71 percent admit they are worried about having enough money for retirement.⁴
- The average American is paying up to 34.5 percent of their after tax income straight to interest.⁵
- Last year 250,000 new homes went into foreclosure every three months.⁶
In addition to grappling with increasing expenses and debt, the average American has been devastated by losses in investments. Today, the American Association of Retired Persons (AARP) estimates 55 million baby boomers are so concerned about the state of their savings that they are keeping tabs on every penny.

The Jaw Dropping Truth about Wall Street

Who is getting rich? The Wall Street firms and their executives, that’s who. According to the AFL-CIO in 2009, James Dimon of JP Morgan Chase received $9.2 million in compensation, Goldman Sachs’s Lloyd Blankfein received $9.8 in compensation, Wells Fargo’s John Stumpf received a jaw dropping $21.3 million and Bank of America’s Thomas Montag received a mind blowing $29.9 million for one years’ worth of compensation.7

Now here’s the kicker. These are all banks that received money from the government bailout. The list could go on and on. Go back a few more years to 2005. That year T. Boone Pickens made $1.4 billion. 1.4 billion in compensation in one year8

Knocks the wind out of you, doesn’t it?

Now don’t get me wrong, we don’t begrudge someone making a fortune for himself. That’s what the American Dream is all about. But where does all that money come from to pay those outrageous CEO paychecks?

Is it from manufacturing a product that is sold to a consumer? Is it from building a home, saving a life in a hospital or selling groceries at the store?

Nope.
It’s from Wall Street working the system with their super computers to profit regardless of whether the market goes up or down. The computers and brokerage houses use lightning fast algorithms to buy and sell millions of shares a day, executing deals within split seconds. These deals can amount to more than 50 percent of trading volume every day.

Is any real value created by these trades, or is it just a great way to make a lot of money at someone else’s expense? These folks create fortunes for themselves, while you, the average citizen, could end up riding the roller coaster of market swings with no control over your money.

But lousy investment returns are just the tip of the iceberg. Another problem is how our money flows—in the front door and out the back without stopping to visit. The average American pays up to 34 percent of his after-tax income in interest charges, saving just a small sliver for himself.\(^9\) If you are like most people who re-finance their mortgage a couple times throughout their lives, you likely aren’t paying that low advertised interest rate. You could end up paying as much as 80 percent interest on that mortgage! It’s a tried-and-true system set up by bankers to ensure you’ll keep paying them interest.

One infamous quote was recorded when someone saw a massive yacht club full of million dollar yachts held exclusively for Wall Street executives. “Where are all the *c-c-customer’s* yachts?” he stammered.\(^10\) Good question.

Seems crazy, doesn’t it?

It *is* crazy, but that’s the status quo.
But that’s not you anymore. You’re about to discover a whole new world of money. Because you are ready to join the ranks of your fellow Americans becoming wealthy outside the Wall Street roller coaster.

There is a way to keep a lot more of your money. There is a way you can grow wealthy from your hard work—and keep your money protected from market downturns at the same time.

It’s easier than you think. The next few chapters are going to show you how to not only kill the status quo but also how to join the ranks of the wealthy.

To get started, just turn the page!
Chapter 2

THE INVISIBLE TAX

“*Inflation is when you pay fifteen dollars for the ten-dollar haircut you used to get for five dollars when you had hair.*”
—Sam Ewing

“*Inflation is taxation without legislation*”
—Milton Friedman

“*By a continuing process of inflation, government can confiscate, secretly and unobserved, an important part of the wealth of their citizens.*”
—John Maynard Keynes

Through our adventures meeting with millionaire mentors who shared their secrets with us, it became clear that there are four major killers to creating financial independence. We call them the 4 Enemies of Wealth.

These enemies are Taxes, Market Loss, Interest, and Inflation.
We’ll deal with each of them in greater detail throughout the rest of this book.

You’ll discover why they are “enemies” and what you can do to overcome each of them.

**The first** one we’ll deal with is inflation. Inflation is often misunderstood and often ignored because it’s a silent killer of wealth.

You don’t write a check to inflation like you do to the IRS, and you don’t see money disappear from your retirement account like you do in market crashes.

So, let’s look at how inflation happens. Inflation is caused by the government printing money.

A simple way to understand inflation is with an analogy.

Let’s say you ask your son Johnny to make Kool-Aid for dinner. He mixes it up just right and it tastes great. But he’s *really* thirsty.

So he takes a first drink, and a second, and a few more after that. Now Johnny is in trouble. The Kool-Aid is half gone and he knows he was supposed to save it for dinner . . . but there’s no more Kool-Aid mix.

He gets a brilliant idea to fix his problem.

Instead of making more Kool-Aid, he just pours some extra water into the pitcher to fill it back up.

Obviously that’s not going to taste good, but he doesn’t care because he already had his fill.
The Kool-Aid, in fact, tastes terrible. It’s been diluted so the flavor is less potent.

This is essentially what happens when the government prints money. The government is the only entity that can legally print money, and by default, gets to spend it first.

Just like Johnny got to drink the Kool-Aid while it tasted good, the government gets to spend a dollar at its full potency before it’s diluted.

After Washington pushes billions of dollars into the money supply, what do you think that does to the value of your money?

It’s becomes diluted, just like Johnny’s Kool-Aid.

Once it’s pushed into the economy, every other dollar in the system becomes less valuable. Your money—and my money—is worth less today than it was yesterday because of the massive and irresponsible money printing going on in Washington.

However, unlike Johnny, who only took a few drinks, the government’s thirst for spending is unquenchable. Therefore, they continue printing money to the point where our dollar is worth $0.43 compared to 30 years ago.\(^\text{11}\)

This is the damage inflation does.

Take a look at this image and see if you remember paying $.99 for a gallon of gas, or $5.00 to go to the movies. Of course you do. It’s not that gas is so much more expensive or bread is so much harder to make—it’s that our money is worth less now than it was 20 or 30 years ago.
This is bad in many ways. The cost of living increases as the price of everyday goods rises faster than wages.

For low- to middle-income Americans, inflation actually pushes people down to a lower standard of living. But it really gets ugly when you look at this in terms of retirement.

Here’s why . . .

Let’s assume that inflation is at 4% percent. That’s a hair higher than what the government typically tells us. But it’s hard to know the true inflation rate since the government has changed the way it’s calculated multiple times in order to make it look lower than it really is.

(If you calculate inflation with the same measurements the government was using in the 1970s, the inflation rate for the past few years is closer to 5-10%!)\textsuperscript{12}
We’ll use the Rule of 72 to help us get a feel for the damage inflation is doing to your retirement and wealth.

Albert Einstein is credited with discovering the Rule of 72, and if you aren’t familiar with it, it’s time to take notes. This is a concept you need to be familiar with and use on a regular basis to help you see the value of growing your money and protecting it from inflation.

The Rule of 72 shows us the amount of time it takes for your money to double, based on a specific interest rate.

If you’re getting 4% on your money, 4% divided into 72 gives you 18. That means your money will double every 18 years.

It’s a pretty easy calculation to do, and a very important thing to know.

The Rule of 72 is a powerful concept because it can work FOR you or AGAINST you.

It works for when you’re growing your money, and against you when it’s being devalued by inflation.

Using the Rule of 72, take the inflation rate of 4% and divide it into 72, and you get 18 years.

This means the value of your money is being cut in half every 18 years.

For example, in the graphic below, you’ll see that if you are age 47 and are comfortable living off $100,000 per year, when you retire at age 65, that same $100,000 will only buy you a $50,000 lifestyle. Your lifestyle will be cut in half unless you have double the money.
Not a pretty picture!

**Inflation Cutting Your Money In Half**

<table>
<thead>
<tr>
<th>RATE</th>
<th>YEARS</th>
<th>AGE</th>
<th>ANNUAL INCOME TODAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>4(\sqrt[72]{1})</td>
<td>18</td>
<td>47</td>
<td>$100,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>WILL BE LIKE $50,000</td>
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<td></td>
<td>65</td>
<td></td>
<td>$50,000</td>
</tr>
<tr>
<td></td>
<td>83</td>
<td></td>
<td>$25,000</td>
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Now, do you plan on living past age 65? I hope so!

Let’s say you live another 18 years and last to age 83. That same $100,000 lifestyle you are living today will be more like a $25,000 lifestyle. Are you comfortable with that? I’m not!

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It was SHOCKING to me the first time I saw this.

That’s exactly why inflation is such a terrible enemy of wealth, and why we must beat it!
We do that by growing our money with a rate of return that outpaces inflation.

Just a small increase in the rate of return on your money can make a dramatic impact on your wealth, thanks to the power of compound interest.

Let’s take a newlywed 29-year-old who invests $10,000 at 4% interest. Four divided into 72 is still 18. So his $10,000 is doubling every 18 years and grows to around $40,000 by age 65. Not impressive. Not exciting.

Now he’s got a major problem—he’s run out of time.

What if instead of getting just 4%, he could have earned 8%? Would our newly married man now have greater financial independence?

Of course.
At an interest rate of 8%, your money is doubling every 9 years. That’s half the time.

Logically, you might think that doubling the interest rate would double your money, so instead of $40,000, you would end up with $80,000.

But you’d be wrong.

With 8% compounded over 36 years, at age 65, you’ll actually have around $160,000! You’ve only increased your return by 4%, but it produced $160,000 vs $40,000. That’s four times more money!

That happens because of the power of compound interest.

Now let’s see what would happen if you could get 12% on your money and it’s doubling every 6 years.

This is where it really gets exciting . . .
In 36 years, at age 65, you’ve got close to $590,000 vs. $40,000. (You probably expected $640,000, but as interest rates get higher, the Rule of 72 becomes a little less accurate.)

Even so, isn’t the difference in amounts amazing?

The only difference between these is the interest rate.

Not more money.

Not more time.

But if you only earn 4%, it just cost you $550,000.

Now you may be asking, how do I grow my money at 8% or 12% in today’s market without losing it all when the market tanks?
That’s what this book is all about. We’ll uncover several strategies we’ve discovered over the years to outpace inflation and increase your wealth exponentially.
Chapter 3

MY BREAKUP WITH MR. MARKET

“If I had to give advice, it would be keep out of Wall Street.”
— John D. Rockefeller

Ethan Kap wasn’t normal.

You could say he had a strange fascination with money. Much more than the average teenager asking for gas money—as a youngster he had a fascination with the idea that by investing his money it could automatically grow year after year. It shouldn’t have surprised anyone, then, when he bought his very first mutual fund at the age of fourteen. In his words …

It was just a normal day at school—until I overheard a conversation that changed my life. Two parents were talking about how anyone can buy stocks and have their money grow larger and
larger each year. Some people even became millionaires in the market! Bursting with excitement, I ran home and told my dad that I wanted to invest in the market. I wanted to make millions! I was delighted when he offered to match my $1,500, and together we researched available funds. With his guidance, I found what I thought was a winner. I invested, watched my money grow over the next five years, and sold at a decent profit.

I was hooked.

Like many people I bounced from one stock to the next, using one strategy after another like a Las Vegas gambler looking for the big win.

I was convinced I’d found my ticket to riches: Warren Buffett. His stock-investment method was simple: He invested in consumer monopolies, or what he called “toll bridges”. He did the research, and then bought accordingly. He looked for stocks that were undervalued and held on to them forever—unless the fundamentals of the company changed.

Sounded like a winner to me, so I switched my investing strategy and started buying large blue chip companies like Coca Cola, McDonald’s and Colgate. For another five years I did really great.

You can probably guess what happened next.

The stock market crashed.

And because the stock market is no respecter of persons, I—along with everyone else—lost a huge percent of my portfolio in that crash. My dream of watching my dollars multiply had turned into a nightmare.
You may have experienced the sickening, desperate feeling of watching your money evaporate right before your eyes with nothing you can do about it!

My Crushing Break Up with Mr. Market

If you’ve ever seen a relationship start with a deception or lie, it usually doesn’t turn out too well. No matter the initial strength of the romance, the initial deception or lie will cause one party to lose all trust for the other partner.

I lost my trust in Mr. Market when this happened to me. I still have moments where I think about the potential to make money buying and selling stocks again. But I quickly come back to reality when I think about losing another decade of wealth.

### Notable Wall Street Crashes and Recoveries

**1901-03**
- Fall in the Dow: 46%
- Losses recovered by July 1905
- 2 years to recover

**1906-07**
- Fall in the Dow: 49%
- Losses recovered by September 1916
- 9 years to recover

**1916-17**
- Fall in the Dow: 40%
- Losses recovered by November 1919
- 2 years to recover

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1919-21
- Fall in the Dow: 47%
- Losses recovered by November 1924
- 3 years to recover

1929-32
- Fall in the Dow: 89%
- Losses recovered by November 1954
- 22 years to recover

1939-42
- Fall in the Dow: 40%
- Losses recovered by
- January 1945
- 3 years to recover

1973-74
- Fall in the Dow: 45%
- Losses recovered by December 1982
- 8 years to recover

I realized that continuing to invest directly in the stock market held no guarantees. I had a goal for growing wealthy, and this wasn’t helping me reach that goal. All my savings were in the stock market, and I had no control over how that market performed. In fact, there was a very real risk that I could lose all my money.
Can You Afford to Lose Another Decade of Wealth?

In September 2013, the Dow Jones Industrial Average was hovering at the same level it was at 14 years before. Trillions of dollars were lost in stocks, mutual funds, 401(k)s and other qualified plans. Mr. Market can be extremely rewarding during certain periods, but viciously brutal during others. Dreams are crushed, retirements dashed and plans delayed. Can you really afford to keep rebuilding your wealth every 5 or 10 years?

The Wall Street Casino

I live close to Vegas and often take trips down with my family. I am always amazed at the luxurious casinos being built. I hear myself saying, “They can’t afford to build these huge casinos by paying out winnings to all the customers.”
Most people know the house usually wins, yet thousands of people make the trip and continue gambling away their money.

Sadly, many follow the same pattern regarding their wealth: put it at risk in the stock market hoping for that one upward swing that will make them extremely wealthy.

I’m sure if someone asked you about taking all their retirement money and gambling it on a roulette wheel; you’d instinctively tell him that’s probably not a good idea. Yet that’s similar to what people do in the market every day.

It’s the difference between the foolish man who built his house upon the sands of risk and the wise man who built his house on a solid financial foundation. The tide came in and destroyed the man’s house on the sand. The man’s house on the rock survived and remained standing strong.

This is exactly why you must PROTECT the PRINCIPAL at all costs.

Take for example a $100,000 investment. Assume the market drops by 30% and your money goes from $100,000 to $70,000. How much growth do you need just to get back to even? (Hint: it’s not 30%.) You’ll actually need 42.9% growth on your money to get back to where you started. Now how long does it take to see a 30% loss in the market? It could happen in as little as one year.

And how long does it take to make your money back? Usually it’s not so quick. Let’s take a look at some examples in history. After the great depression, from 1929-32, the Dow fell 89% and took a full 22 years to recover, Now, 22 years until recovery is a bit dramatic so let’s look at a few more recent drops.
In 1973-74, the Dow fell by approximately 45%. The losses weren’t recovered until December 1982. That means a full 8 years could have passed without folks getting any return on their money.

And, of course, most recently the crash of 2008. After the market peaked on October 9, 2007, stocks slid downward. By March 5, 2009, the S&P was down 56% and the Dow down 53%. As of this writing, the Dow is still down 3000 points, which is over 21% below where it was 3 years ago. The S&P is still down 24%.

Wall Street seems to have convinced many people that it’s necessary to forgo guaranteed returns, and risk principal, in favor of possible 8, 10 or even 12% return on their investments.

Wall Street’s favorite tool could be considered a financial calculator showing how much money we’ll have in retirement if our money grows at 12 or even 15%!

But often those illustrations leave out several major factors like market downturns, taxes and fees.

Unfortunately, due to recent events, we know all too well that even after all the worry, investigation and research, the gains we’ve had in our retirement—even after years of growth—can be wiped out with a market downturn.
In just one year during the great recession of 2008 the Dow Jones Industrial lost 1/3 of its value!

There were more than a few Americans that saw their retirement dreams destroyed right before their eyes as their nest-egg dropped like a rock. They were powerless to do anything about it.

Another flaw in much of this Wall Street conventional wisdom is that the market actually could provide you 12-15% returns in the first place. DALBAR Inc. (the nation’s leading financial services market research firm) shows that the average investor outpaced inflation by just 1.44% over the past several years.

But that’s not the story we hear coming out of Wall Street. We often hear about great rates of return. People love to talk about a new hot stock or the latest news on a new tech company that could give them a great rate of return. But let’s take a closer look.

In our example, Joe starts with $10,000 and gets a 100% rate of return in year one, bouncing his balance up to $20,000.

The next year the market drops by 50% leaving him with $10,000 again. In year three it goes up again by 100% to $20,000. Then drops again in the fourth year by 50%, setting him right back at $10,000.
In this case the market did average a 25% rate of return. But how much additional cash does Joe have left to show for his 25% average rate of return?

Zero.

Even though brokers quote stats about great rates of return in the market, investors could still be netting absolutely zero.

Take that same $10,000, compound it monthly for four years at 6.5% with no risk in the market, and you could end up with $12,960.20.

A 25% return in the market gave Joe $10,000, but a much lower 6.5% rate, compounded every year, would give him almost $13,000. It’s easy to see why people are getting confused about where they should put their money.

“In a 2006 report on 401(k) fees, the Government Accountability Office (GAO) concluded that such charges (fees) could “significantly decrease retirement savings.””

Rub Some Salt in the Wound

It’s not just market dips that can kill your principal. It’s also fees. Often 401(k)s, mutual funds and other stock market related investments come with fees—fees many people don’t understand because they can be very confusing.

Compounded over time, this 1-3% fee structure can mean the difference between a comfortable retirement and having to watch every penny. Even if you do realize a 10% return in the market, it could end up being 7-8% after fees.

Even a 1% point difference in fees can have a big impact. Let’s take a 35-year-old worker who leaves $20,000 in his 401(k) plan when he switches jobs and never adds to that account. If the Account earned 7% a year, minus 0.5% in annual fees, his balance would only grow to about $139,836 at retirement. But if the fees were 1.5% annually, the average net return would be reduced to 5.5%, and the $20,000 would grow to about $103,747. Over 30 years, the 1% increase in fees whittles down the account balance by over 26%. Even worse, when you tack on fees while you are losing money, it can be very difficult to regain the ground you’ve lost so you can start making progress again.

You Can’t Grow Your Money If It’s Shrinking

When I went back to the drawing board for the last time, I didn’t listen to what everyone else was doing. I made a list of what I needed. I needed a way to save my money and build financial independence that was simple, easy to follow and protected from market crashes—a way that guaranteed growth. But that’s not all. It also needed to provide good tax benefits because taxes can ravage your wealth if you aren’t careful. Oh, and wait—I
needed to be able to access my money at any time; without getting clobbered by fees and penalties like you would with 401(k) or IRA qualified plans.

I’m happy to say, I found the perfect solution. It’s not a get-rich-quick scheme. But, it’s also not gambling with my future. I’m not the only one who’s had a bad experience in the market. In fact, many people have been fleeing Wall Street looking for a safer alternative. But many don’t know where to look. They are fearful of making a wrong decision and losing even more.

**The Wrap**

When you start down the *Wealth Beyond Wall Street* path, you’ll give yourself permission; permission to toss out the old idea that the only way to become wealthy is to risk your hard earned money. Permission to grow wealthy while protecting against some of the other enemies of wealth.

There is good news. There is a solution. The pathway of the wealthy is simple and proven. Soon you will have a clear plan to replace the conventional wisdom that has failed many people, with a proven solution that can give you relief, hope and faith in your future.

With this book, you will now have the blueprint you need to make the moves that can protect your life, family, and finances by creating a rock on which you can build a financial foundation that you can count on.