

# "How To Be Set For Life As A 12th Grader"

## "Good Debt – Bad Debt" Seminar Notes

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## **Introduction**

Today, I am going to cram 22 years of my experience as a financial planner into the next hour.

My aim is to inform, involve and inspire you!

I am going to share with you the information that 95% of Canadians do not know – and may never know...

Today, you will learn the wisdom and the powerful secrets of the rich. I trust that what happens in this next hour will be profound and that the information you will soon learn will begin changing your life and creating real wealth for each and every one of you!

Here are 2 success tips for getting the most out of today's program.

**1. Listen closely.** I've reduced literally hundreds of pages of research materials into today's talk.

**2. Take Action.** Taking action is the only difference between the 5% of TRULY successful (wealthy) individuals and the rest of the 95% (wannabee wealthy)!

The wealthy read and listen to everything they can get their hands on that they feel will help them achieve even greater success than what they are already experiencing in life.

What REALLY sets them apart from all others is that they take action. They try new things. No, not everything necessarily works the first time out, but they keep at it until they get it going...

You will never move ahead unless you try to do something!

Reading, learning and educating yourself is the basis for moving forward, but ACTION is HOW you move forward.

Regardless of your level of education, you are a human being and you have the capacity to learn if you so choose. As a human being, you were born pre-equipped with all the tools you need to create prosperity and financial wellbeing for yourself!

These tools include intellect, emotion, instinct, ability to develop habits (both productive and counter-productive) the ability to communicate, the ability to make choices, and an amazing capacity (at least equal to the next person) to create a substantial amount of money. You simply need proper instruction on how to use these tools to your own financial benefit.

Today, you will be getting these tools! These tools will prove to be the most valuable resources for achieving prosperity you will ever know

What you choose to do with your wealth-building tools is entirely up to you as an individual.

## **How To Be A Success In Your Life**

Still the burning questions remain!

Why is it that some people become independently wealthy while others struggle just to pay the rent and put food on the table? What is it that the wealthy know that the other social classes do not?

With over 22 years of experience as a financial planner, I have asked myself that very same question over and over again. It would only seem logical to me that anyone who is aware of their ability to create wealth would aggressively exercise that ability to acquire their own financial independence.

Then one day the answer hit me with the force of a freight train! People were essentially asking me to "guarantee" their financial success.

It then became clear to me that most people simply have no knowledge whatsoever of the secrets the wealthy use to create their wealth. They don't realize that they came into the world pre-equipped with the necessary tools to create their own financial independence.

People really just don't understand how money works, or how it is created.

Once I came to fully understand this, I decided to share these secrets with my clients. And now, I am sharing these secrets with you.

To begin with, the one undeniable fact which I consider to be the most important brick in the foundation of true wealth creation is that:

"The only guarantee you will ever receive for your own success is the "guarantee" you provide to yourself."

I realize this may be disappointing and uncomfortable to hear. However, it is fact!

If you are looking for any form of guarantee from anyone other than yourself, you had better redirect your attention back to the person you see reflected in the mirror and seriously consider your level of commitment to your own success. Nobody can, will or ever should provide you with an unconditional guarantee that you will become wealthy.

There is not a single "guru" in the financial services world today who will carve for you on tablets of stone a guarantee that you will generate money from your efforts. Why? The answer is simple.

Nobody can guarantee that you will do what it takes to become wealthy. Nobody can guarantee that you will follow the instructions provided to you for techniques which have been tried, tested and proven through the ages by the world's wealthiest individuals for the creation of financial wealth. Nobody can guarantee your willingness to be coached or trained with regard to how financial wealth is really created. And nobody can guarantee that you will apply what you learn to your own life.

The only guarantee you will ever receive is the commitment that you provide to yourself - To become wealthy, no matter what it takes.

The techniques for wealth creation can easily be taught to you by those who have already achieved it.

However, if financial independence is truly your core desire, the commitment to make your desire a reality must come from within you.

This means that you must take action on your own behalf. To make yourself wealthy – follow the advice and instruction of those who already are.

The sooner you realize and accept this as the truth, the sooner you will be able to take control of your own financial destiny. You must understand how the wealthy become that way and begin modeling what they do.

You will become wealthy only by duplicating the behaviours of those who have already created wealth themselves!

### **“Me Inc.”**

If you are to succeed financially in life, we must agree on one thing.

You must first realize that you are running a “business”.

It’s called – “Me Inc.”

The bare essence of “Me Inc.” is that there is money coming into this venture (for individuals full time in the work force - a bi weekly salary check Or when you are a student – a summer job OR “the bank” of Mom & Dad) and expenses associated with this venture (we call it “the cost of living” Or as a student – tuition, books, room and board, etc...) going out.

Income and Expenses

Now, any money left over from subtracting your expenses from your income may - or may not - go into some type of savings or investment program to pay for some of your future goals – To buy a car, the down payment towards a home, saving.

Furthermore, your desire for this and other savings programs is that it will be sufficient enough to pay for your lifestyle at such time you decide to take time off from work – -either part time Or full time. If/when you are in a position to take off work full time and for the foreseeable future – we tend to call this time - “retirement”....

But I digress...

Everyone who is in business does so with the expectation of turning a profit! Right? Otherwise, what’s the point?

That being said, understand and accept the truth relating to any business venture (like “You Inc,”) from which you expect to make any form of meaningful profit:

- Investment in your business is a requirement for your own success.
- It will cost some money for you to make money and it will take some time for you to make money.

- Anyone who tells you otherwise is not being forthright with you.
- Nobody is going to hand you the means of making a fortune entirely free from effort and free from expense.

The number of people who expect to become rich overnight with absolutely no financial investment and with little or no effort is absolutely astonishing!

It is in your best interest to understand and accept right now that you will be required to invest some time and money in order to make money! If you refuse to do that, then financial independence is not in the forecast for your future. It's that simple.

However, the good news is that it will not cost all that much in relation to what you want to achieve but it will mean some time on your part.

**"If you think education is expensive, try ignorance"...Benjamin Franklin**

In fact, in my boutique financial planning practice I am compensated by my clients to provide personal and ongoing mentorship and training in setting up and monitoring various wealth creation and preservation strategies.

However, I am pleased to provide mentorship and training - but ONLY to those who can demonstrate for me their willingness and ability to be coached and who have a TRUE desire to become wealthy.

So, it all begins with the information I am about to share with you in this book.

Pay close attention and carefully consider how you can apply this information to your own life and financial situation. I cannot mentor or train anyone who refuses to recognize where he or she might be going wrong with their current methods and keeping themselves impoverished because they really don't want to change the way they are doing things.

In order to create wealth, you must first understand and eliminate what is keeping you from generating the wealth you desire.

I trust that you will find the information you are about to learn of great value to you. If accumulation of financial wealth is truly your core desire, the path has been paved for you in the lessons to come. The decision to take immediate action is all yours to make. You will immediately begin reaping the benefits of not only significantly increased cash flow but creating a wonderful peace of mind and assurance as you see yourself getting closer to your goals

### **Charge Cards**

#### **Test Your Financial IQ – Quiz**

[http://www.elementspodcast.com/quizzes/financial\\_IQ\\_1007\\_output/quizmaker.html](http://www.elementspodcast.com/quizzes/financial_IQ_1007_output/quizmaker.html)

Well, how did you do?

Anything less than 100% and you better not be sleeping through this lecture – this stuff is for you – yes YOU!

The use of credit cards originated (where else) in the United States during the 1920s, when individual companies, such as hotel chains and oil companies, began issuing them to customers for purchases made at those businesses.

The first “universal” credit card -- one that could be used at a variety of stores and businesses -- was introduced by Diners Club, Inc. in 1950. With this system, the credit-card company charged cardholders an annual fee and billed them on a monthly or yearly basis.

The American Express card, was established in 1958.

And the rest, as they say is history...

Today, in Canada we have more than 50 million Visa and MasterCard.

And Canadian consumers have charged almost \$50 billion to them!

We have 24 million more retail credit cards from issuers as diverse as Petro-Canada to the Hudson's Bay Company to Canadian Tire. In fact, there are over 600 institutions which issue credit cards in Canada.

Canada, which boasts a population of 30 million or so received a staggering 208.3 million credit card solicitation offers in the mail in 2001.

It is reported that there are on average 3 credit cards for every Canadian over the age of 18!

If I were to ask for a show of hands, I am sure that at least 1 in every 3 of you have at a minimum - one credit card! And the average amount you are charging on your Visa or MasterCard? \$102...

### **Credit Cards offer convenience - at a price!**

Many cards charge 17.5 to 19.9 per cent on overdue balances.

Department store or gasoline company cards are even worse. Count on paying 24 to 28.8 per cent a year on outstanding balances there.

And they make it so easy to pay just a little. Many allow minimum monthly payments of as little as \$10 or 2-3% of the amount owed.

Let's take an example:

### **How Much Is Your iPod?**

If I offered you an iPod for \$400 how many of you would buy it from me? No one?

Why? Because on average they cost \$300!

But look, what if you had just gotten your first charge card and to celebrate ran out to buy an iPod for -\$300 if your card was charging you 18% interest - do you know how much the monthly minimum payments would be if you didn't pay of the whole amount at the end of the month, or the next month or the next or for that matter ever?

Usually, 3% of the "un paid balance is what is charged: so, in our case - \$10 a month is what your payment is going to be. So small you hardly even notice it – but you faithfully pay it for...

How long until you have paid off the \$300?

41 months which is 3.42 years

For a total of **\$101.55** in interest costs.

Doesn't sound like much right?

But you still didn't want to buy it off of me for \$400, right?

When in fact, you ultimately did pay \$400 for your iPod!

Don't believe me? Well, plug in the numbers here:

**The "Cost Of Borrowing" Calculator - Calculate the "True Cost" of Your Debt!**

<http://www.creditcanada.com/debtCalc.asp>

Oh, and of course now that it's 4 years old there are newer and better models available – so you go right out and do it all over again...

Now, we have Christmas just around the corner...

It's very tempting to shop with your plastic so that you don't disappoint any of your family on Christmas Day!

And so on and on it goes...

### **The Mathematics of Debt**

The average amount of charge card debt Canadians carry is \$9,000 on each of the 22 million credit cards that regularly carry a balance. At an average interest rate of 18%, these cardholders pay almost 9 billion dollars per year in interest.

Let's plug in those numbers here:

\$9,000 "unpaid balance" owing

18% charge card interest rate

3% minimum payments – based on "unpaid balance" owing

**The "Cost Of Borrowing" Calculator - Calculate the "True Cost" of Your Debt!**

<http://www.creditcanada.com/debtCalc.asp>

How long until you have paid off the \$9,000?

The minimum that you must pay is \$270 a month.

So it will take you 265 months or 22 years!

For a total of **\$8,798.90** in interest costs.

Essentially, almost as much as the \$9,000 amount you were "paying off" on a minimum payment basis!

If on the other hand, you paid a flat amount of \$270 each and every month how long will it take you to pay off the \$9,000?

**47** months or 3.9 years to get rid of your debt

For a total of **\$3,570.49** in interest!

An interest cost saving of **\$5,228.41!**

Being aware and disciplined are what you need to make credit "work for you".

If you ask any credit counsellor why Canadians ultimately run into financial trouble they'll tell you that it is our inability to control credit card debt.

If you "Google" the phrase – "debt consolidation credit counselling" - you will find 1,960,000 references.

Unfortunately credit counselling is a "growth industry" here in Canada and in fact – well, everywhere!

Now, ask yourself this: Are you just "renting" a lifestyle" through the improper use of credit?

The interest charges that you are paying - are they taking you closer to your goals or farther away from them?

### **Credit is a privilege – NOT a right!**

Too many consumers think it's their right to have credit and that they have a right to use and abuse it. This type of thinking is why Canadians and Americans are in over their heads in credit card debt.

What a shame!

Just a few simple rules to follow and instead of being \$9,000 in debt, you could have that \$9,000 in your pocket, bank account, or towards the down payment for a car or house.

Debt is your enemy because it's a trap. It can take away your freedom to make the best decisions for yourself.

The debt we have been talking about is "bad debt". This is debt that is not creating wealth for ourselves and is not "tax deductible".

A catchy phrase I've heard a number of times to describe the difference between good debt and bad debt is:

**"Good debt" feeds you – "bad debt" bleeds you.**

Which category of debt would charge cards fall into?

I think that we have already conclusively established that it is "bad debt".

Which category of debt would borrowing for a business or for real estate or for investment purposes fall into?

It's "good debt". More on this type of debt shortly...

Now, ask yourself this: How much of each type of debt do you have? Is it bleeding you or feeding you?

The wealthy are moving ahead of the middle class because of the debt that they are carrying – the middle class are falling behind because of the debt that they are carrying...

How can this be?

Because of the type of debt that each class hold and uses to support their lifestyle.

It's "good debt" vs. "bad debt"

**I want to help you "own" your life instead of wasting all your energy and money "renting a lifestyle"!**

### **Why Do We Choose To Get Into Debt?**

We get into debt innocently enough — by design (to buy a new house or car or fund a college education); by accident (the transmission in the car fell out, the roof on the house fell in); or by mismanagement of our finances (because we live beyond our means or just can't resist taking advantage of every cent of available credit).

In fact, we choose to get into debt to create the type of lifestyle for ourselves that we see marketed to us through all of the various media out there - but especially – television!

We see the images of beautiful men and women offering glimpses into their worlds that are usually vastly different than ours.

The marketing is seductive...

The ads proclaim that if we have this thing or that thing we also will have happier and sexier lives. Of course we all want to be happy and look successful... and seen by our peers as being more cool by owning the newest pair of Nike sports footwear, the latest clothing fashions and the most current gadgets.

The marketing is seductive and it is working...

We are programmed into consuming to be happy.

It is all about buying! And what are we buying – well, stuff!

Stuff is sneaky. Stuff can give you a false sense of time, power, and security.

Stuff will not enhance the quality of your time, unless you have only the stuff you need to do the activities you enjoy and no more.

Yet, so many people (myself included) accumulate more stuff than they can ever use even if they lived forever.

Too much stuff makes you feel like you won't ever have enough time. Too much stuff makes you feel time-poor.

Stuff might make you feel powerful, like when you buy a really fancy TV or brand new furniture. But if you buy it on credit, or wipe out your savings, it actually weakens you.

Stuff can steal your power.

If you have debt or no savings, what happens when a true emergency happens?

You are powerless.

**A life with less stuff can be liberating – the money you save is just a bonus!**

To change the way you live – you must change the way you think.

However, we often stay in debt because we're not sure how to get out...or even if we really want to.

We live in debt only because we choose to do so. We even pick the amount with which we are comfortable.

In fact, most people have a comfort zone of acceptable debt. When the amount rises above some arbitrary figure, they cut back temporarily, only to resume normal spending later.

As a result, some people have been carrying around thousands of dollars of credit card debt for years — paying hundreds of dollars in interest each year — because it never occurs to them to pay it off, put away the plastic and start using cash.

Additionally, it's never been easier to get into debt, with the boom in special offer credit card deals arriving every day in the mail.

Whether your debt load is \$1,000 or \$10,000, you can bring it down to zero.

### **How To Get Out Of Debt!**

Here are some tips to help make it happen:

**Don't be too easy on yourself.** Be willing to do what it takes to get out of debt ASAP. Maybe you simply cannot afford to vacation in Whistler this winter AND New York City this winter. Allocate

that extra money to reduce debt. Consider this: If you budget \$100 a month for debt reduction, when you're finally free and clear you'll have that much cash, every month, for lifestyle enhancement later.

**At the same time, avoid bread-and-water austerity.** If you make yourself miserable, your plan will fail. Consider splitting discretionary cash in half — part for debt elimination; part for living (and playing) expenses.

Now, here are the 3 steps to help make it happen:

**1. Stop acquiring new debt.**

**2. Establish an emergency fund.**

**3. Implement a debt "snowball"**

**1. Stop acquiring new debt**

(This step can be accomplished in an afternoon.)

This may seem self-evident, but the reason your debt is out of control is that you keep adding to it. Stop using credit. Typically, we tend to pay off one bill, but pick up new debt in the process

Put away the credit cards and institute a cash-and-carry policy in your house.

Don't finance anything.

After you put away your cards, halt any recurring payments. If you have a gym membership, cancel it. If you automatically renew your World of Warcraft account, cancel it. Cancel anything that automatically charges your credit card. Stop using credit.

However, do NOT cancel your credit cards (except for those with a zero balance). As this does affect your credit rating...

**2. Establish an emergency fund**

(This step will probably take several months.)

For some, this is counter-intuitive. Why save before paying off debt? Because if you don't save first, you're not going to be able to cope with unexpected expenses. Do not tell yourself that you can keep a credit card for emergencies. Put your credit cards away; save cash for emergencies. How much should you save? Well, that depends on you. College students may be able to get by with \$500.

Remember, this money is for emergencies only. It is not for beer. It is not for shoes. It is not for a Playstation 3. It is to be used when your car dies, or when you break your arm in a touch football game.

Gradually build up a cash cushion for emergencies and regular expenditures. This allows you to pay cash in the future, while actually earning interest rather than paying it.

Keep this money liquid, but not immediately accessible. Don't tie your emergency fund to a debit card. Don't sabotage your efforts by making it easy to spend the money on non-essentials.

Consider opening a savings account at an online bank like ING Direct. <http://www.ingdirect.ca>

When an emergency arises, you can easily transfer the money to your regular checking account. It'll be there when you need it, but you won't be able to spend it spontaneously.

### **3. Implement a debt snowball**

(This step may require several years.)

After you've stopped using credit, and after you've saved an emergency fund, then attack your existing debt. Attack it with vigor. Throw whatever you can at it.

Many people say to pay your high interest debts first. There's no question that this makes the most sense mathematically. But if money were all about math, you wouldn't have debt in the first place. Money is as much about emotion and psychology as it is about math.

It was your emotions – not logic - that you into debt! So, now use your emotions to help get you out of debt!

Psychologically, using a "debt snowball" offers big payoffs, payoffs that can spur you to further debt reduction.

Here's the short version:

- 1.** Order your debts from lowest balance to highest balance.
- 2.** Designate a certain amount of money to pay toward debts each month.
- 3.** Pay the minimum payment on all debts except for the one with the lowest balance.
- 4.** On top of the minimum for this debt add \$50 or \$100 a month consistently until this debt is gone.
- 5.** When that debt is gone, do not alter the monthly amount used to pay debts, but add that amount towards the debt with the next-lowest balance.

I'm a huge fan of the "debt snowball". It still takes time to pay off your debts, but you can see results almost immediately.

My Ebook, "**How To Get Out Of Debt Fast - The UnCanadian Way**" describes the "debt snowball" methodology in more detail. Get your FREE copy here at:  
<http://HowToBeSetForLife.com/BeDebtFreeFast.html>

### **Supplementary solutions**

You can do other things to improve your money situation while you're working on these three steps.

You must begin to spend less than you earn!

Curb your spending.

Learn Or "re-learn" frugal habits. Frugality is something with which most college students are all too familiar.

While you work to spend less, do what you can to increase your income. If possible, sell some of the stuff you bought when you got into debt. Can you say EBAY? What about the Internet?

Become an online entrepreneur.

However, don't neglect your studies for the sake of earning more. Your studies are most important.

### **Should I buy or lease my car?**

Lease vs. buy: The path to getting a new car depends on your circumstances.

The general rule of thumb is: If you want to keep the car more than four years or you drive more than 15,000 miles a year, BUY. If you like getting a new car every few years and aren't restricted by the mileage cap, LEASE.

Now aside from the various advantages and disadvantages of both: Leasing is often referred to as a "monthly payment for life" while loans are finished when "the final payment is made".

To compare the two financing methods when you know all the terms (purchase price, interest rate, residual value, etc.), use the Canadian "lease vs. buy" calculator here <http://www.dinkytown.net/java/CABuyvsLease.html>

### **How To Build Credit Wisely**

Proper use of credit is your best defence against a low credit score. But how do we build credit the proper way? How do we go about it without getting ourselves into trouble?

These two ways will help you build credit easily and cheaply.

**1.** For those just starting out, credit can be built up by having a loan. If you need money for any purpose, try your credit union. A small loan works wonders for your credit and it won't cost much.

This will help later on when you apply for a mortgage. Instead of using credit cards for everything and paying up to 19%, a small loan can help out tremendously.

For those with credit, keep buying to a minimum but make sure payments are always paid on time. Late payments are certain death to your credit score.

**2.** Pay everything off monthly. By never having a balance carried over, you will prove to issuers that you are a good risk. Secondly, paying it off monthly saves you plenty in interest. That money could be used for better purposes.

If you follow these two steps, then you will see your credit scores rise to a healthy level. It won't happen overnight but it will be done right. You want to maintain a credit score of at least 680 or higher. I recommend never let it fall below 700. At that level, you are an excellent credit risk and can basically get approved for any credit you want.

Holding on to and maintaining good credit is a must if you want to better your life.

Having good credit is a must in our society yet too many consumers make the big mistake of thinking that they don't have to do anything to keep their credit.

They think it will always be there and they can buy anything their heart desires. But as we have seen, it can come back to haunt you.

Credit should be nursed and brought along slowly and steadily. It is through this means that we save money on interest, fees, and avoid the heartaches that many consumers are going through now.

### **How can I get a copy of my credit report?**

Contact one or both of these credit reporting agencies in Canada. You are entitled to one free credit report annually from each – but you must use the mail to do so.

Otherwise go online and get your copies for a nominal cost:

Equifax Canada <http://www.equifax.ca>

Trans Union <http://www.transunion.ca>

### **ATM's**

ATM's are the easiest way to get at your money - but also the costliest.

Banks collect literally billions in fees from their customers for accessing their own money at the ATM machines.

About 10% of banks charge their customers \$1.00 or more per month for the privilege of using their ATM. Another 10% charge their own customers \$1.00 or more per transaction.

These fees add very quickly for you - just for the privilege of accessing your money with an ATM.

Easy money for them, isn't it?

Of course, if you use your ATM card at a bank other than your own, these fees increase tremendously. The average fee collected is now over \$2.00 per transaction.

Why pay to access your own money? It makes no sense!

Here are a few ways to save on fees...

- 1.** When shopping at a grocery store or some such and happen to also need extra cash – ask for “cash back”. You will get your cash and not be charged fees!
- 2.** Use only your own banks ATM - Make sure they don't charge you for using their ATM's.
- 3.** Have an account at larger banks. They have more ATM's available and you can find their ATMs easily.
- 4.** Avoid getting cash advances through credit cards at an ATM. Not only will you be charged by the bank but your credit card will also charge you a fee plus you will have to pay a cash advance fee. This could literally cost you 10% or more of your total amount!
- 5.** Take as much money out as you need so you don't have to go back as often. Another aspect of ATM's that most consumers aren't aware of is the fraud going on with ATM machines. Thieves have gotten so sophisticated in their methods that they are able to block the usage of ATM cards by placing their own pre-fabricated faceplate over an existing ATM and getting the card to read your

pin number but not allowing access to your money. They then empty out your account leaving you with nothing but headaches.

Here are two ways to combat this:

1. When you use your ATM, only use it at your own bank.
2. Never use your ATM card at grocery stores, gas stations, shopping malls, casinos, convenience stores, airports, , or cruise ships. The odds that these machines have been tampered with are well over 50%. The other problem you may encounter with using these ATM's is... you will have to deal with the owner of that ATM.

It's much easier to speak to your bank and have a charge reversed than to fight it out with a stranger.

### **What's Your Why?**

The Wealthy Know Their "Why"

The first key to creating wealth is to determine your "why."

Ask yourself, "Why do I want to be wealthy? What will financial wealth accomplish for me? What kind of pain will it eliminate in my life? What will wealth empower me to do? What are my wants, needs and desires?" (Because of "slick advertising" most people get their needs and desires confused).

Answer yourself honestly – and write those answers down! Simply saying "I want money" is not enough to create unlimited wealth. Your own personal and very specific "why" is the only thing that will drive you to achieve your wants, needs and desires.

As simple as it sounds, a well-defined "why" from the bottom of your heart is absolutely critical to wealth-building.

Anyone can tell you how to create wealth, but only you can determine the true reason you will.

It will be based upon your own personal "why."

Remember when you absolutely had to have that coolest snowboard? If the bank of "Mom & Dad" was closed to you – I am sure that you were emotionally engaged enough in your "why" to make it happen for yourself.

And I'll bet you looked excellent on the hills with it.

What about that vacation to Vegas you took last year? Remember, how easy it was to save for it? And what a great time you had?

Budgeting becomes easy when we are emotionally engaged with our why.

It becomes fun and exciting to plot how we are going to achieve what it is that we want. Because we definitely know why we want it!

This then is where it all begins!

## **Budgeting**

Successful budgeting is really a mathematical equation:

$$[\text{WEALTH}] = [\text{WHAT YOU EARN}] - [\text{WHAT YOU SPEND}]$$

This is the one fundamental law that governs your money – and your success in life. If you master this, you have mastered the entire game:

**To gain wealth, you must spend less than you earn.**

That's all it takes!

But first you must know where you stand – financially that is...

It's really that simple – but doing the exercise, though not difficult does not usually get done on an ongoing and disciplined basis because, well, for most (the ones that haven't discovered their "why") doing the exercise is not emotionally exciting or stimulating.

But let me say this, the individuals who commit to reviewing their "budget" – a.k.a. their "Income & Expense" statement on a fairly regular basis so that they know and understand where the money is coming in from and where it is going out to are ultimately determining that they will be the ones who will be financially successful vs. those that don't do this exercise.

It all starts here

One way to help you get going is to do what I call the "envelope budget". Keep all of your receipts from all your purchases and at the end of the day toss them into envelopes you have marked as: Starbucks, eating out, movies, vehicle gas & maintenance, room and board, groceries, etc. At the end of the week tally the various envelopes and begin again for the next week. Within a couple of months you will have a fairly clear picture of where your money is going...

So, if you see you are spending more than you are pulling in you can see the areas that you can cut back on and begin to turn your financial ship around!

**Where Does It Go? – 1 page "fact finder"**

<http://HowToBeSetForLife.com/WhereDoesItGo.pdf>

("right click" and "save as" to your "desktop")

The greater the gap you can create between earning and spending, the faster you will accumulate wealth for yourself.

There are only two things you can do to gain more wealth: spend less and earn more. By making more money or by having your money make money for you!

## **The Difference Between You and The Wealthy**

What do the poor buy on "payday"?

The poor buy stuff

What do the middle class buy on "payday"?

Liabilities (more stuff funded by "bad debt")

What do the wealthy buy on "payday"?

Income producing assets!

Education (courses and seminars that teach about various ways to increase the likelihood of financial success), rental properties, businesses that produce "passive income", investments such as stocks, bonds – things that produce income.

**Side Note:** Ever heard of Warren Buffet? He is one of the wealthiest men in America. His first business was a "pin ball machine" business...producing "passive income" for him. A "passive income" business or investment continues to pay month after month, year after year – long after you have stopped actively working the business. Doesn't that sound good? Wouldn't you like some of that action? Well, you can. I'll tell you how you can get started at the end of this lecture.

Interestingly, Warren Buffet is also the largest individual stock holder of the American Express Card Company! Do you know why? Because credit card companies are extremely profitable. To put this in perspective - what is a liability to us as American Express "card holders" is actually an income producing asset to Warren Buffet and other stock holders of American Express. I am absolutely positive that he enjoys receiving the quarterly dividend checks that American Express send him – and he has seen those dividend checks keep getting bigger and bigger as the years have gone by.

Money represents many things to many people:

**Money is time.** It's the time you spend to earn it and the sacrifices you make to get more: such as the time you spend in school to get a better education so as to get a better job; the weekend work you do to get ahead, and all the other things you miss out on.

**Money is power.** It enables you say yes or no to opportunities or demands. It lets you opt in or opt out of positive or negative situations. Having money lets you retire at 55; not having it keeps you working indefinitely.

**Money is security.** Money "in the bank" can and does give you peace of mind.

We have just seen how the rich don't work for money.

The poor and middle class work for money.

The rich have money work for them. The rich buy or create assets that work for them so they don't have to.

With money – you either work for it – or it works for you!

Which scenario would you rather have?

Additionally, the wealthy are moving ahead of the middle class because of the debt that they are carrying – the middle class are falling behind because of they debt that they are carrying...

How can this be? Because of the type of debt that each class hold and uses to support their lifestyle.

Good debt vs. bad debt

**I want to help you own your life instead of wasting all your energy and money renting a lifestyle.**

Continue your education with an Ecourse I have authored: **"Cash Flow Secrets of the Rich"**  
<http://www.howtobesetforlife.com>

**Pay cash for depreciating assets – borrow for appreciating assets!**

### **How To Become A Millionaire**

#### **How long will it take me to accumulate \$1 million?**

Horizon Chartered Accountants based here in Vancouver have a robust suite of interactive calculators based on some of the questions that are asked of them on a daily basis. They graciously provide these tools online to help us answer some of the day-to-day questions and concerns that come along.

Monthly savings required to save \$1 million:  
<http://horizoncharteredaccountants.com/tools.html>

| Years | 4% average annual return | 6% average annual return | 8% average annual return | 10% average annual return |
|-------|--------------------------|--------------------------|--------------------------|---------------------------|
| 20    | \$2,726                  | \$2,164                  | \$1,698                  | \$1,317                   |
| 30    | \$1,441                  | \$996                    | \$671                    | \$442                     |
| 40    | \$846                    | \$502                    | \$286                    | \$158                     |

Now as all millionaires know it's easier to borrow \$1 million than it is to earn it on the job or save it.

And when you borrow those funds to buy assets that both pay for themselves and appreciate, you've discovered the secret method of true wealth creation.

Just for fun, calculate how many years it will take you to earn \$1 million at your current salary.

Divide 1,000,000 by your current salary.

$$\frac{\$1 \text{ Million}}{\text{Current salary}} = \text{Years to earn } \$1,000,000$$

**Example: If you earn \$55,000 a year it will take you 18.18 years!**

$$\frac{\$1 \text{ Million}}{\$55,000} = 18.18 \text{ years}$$

Years ago, when I was just beginning my career I was earning \$30,000 a year. It would have taken me 33 years to earn \$1 million. Clearly this isn't the way to building great and lasting wealth.

However, here's another way to look at this. Let's assume that you began your working career at age 20 and retire at age 65. Let's also assume that your beginning salary is \$30,000 indexed to inflation of 2% so that nearing retirement you are pulling in somewhere in the neighbourhood of \$70,000. Do you realize that you will have earned just over \$2,230,000!

That's allot of money! Now the next question is, how much of that will you have saved?

Conventional wisdom says that you should save 10% of all you make. So you should have saved \$223,000 over the course of your working career. Now let me ask you this. Are you on track?

How many people do you know are saving 10% of what they make? Probably none.

Why?

Well, one of many reasons is because of "bad debt". Servicing all their debt obligations leaves them with little or no money left for savings and/or investing for their futures. Sound familiar?

Remember earlier where we said that there are only 2 ways that wealth is created:

People at work (you work for it) and money at work (it works for you)

We have just dramatically illustrated "people at work". We all realize that there are only a certain number of hours that we can physically work – say, 40 hours a week. That's the amount of time we work and that's the amount of time our employer pays us for.

No wonder it's so difficult for many to get ahead. We cannot (or refuse to) physically work more. Any additional money most Canadians have after bills and the mortgage is paid for may or may not make it into some type of savings or investment program. No wonder it's difficult for many Canadians to get ahead.

### **Leverage!**

The wealthy realize and harness the great and awesome power of this concept.

Leverage: "Doing ever more with ever less".

Or another way of saying this is to: "do the work once and get paid for it again and again".

Remember, what you lack in skill you can always make up for in LEVERAGE!

A rental property?

A business?

A bond?

A dividend paying stock?

Income paying investment (mutual) funds?

Because you need only buy the investment once - and it will continue to pay you income for as long as you hold the investment!

If it weren't for this little truth I would have nothing of true and unique value to share with you.

All you have to do is master the art of leverage and that's what I'm here for.

To help you increase your potential for financial and personal success by introducing you to the appropriate products and systems that will free you up from the tyranny of living "pay check to pay check" like the majority of Canadians do!

### **The Power Of Leverage - Maximum Success in Minimum Time...**

The concept of leverage is all about achieving "ever more with ever less".

Getting better results with less and less effort – time after time.

Leverage is THE key to ANY success – and by extension personal success.

Other examples of leverage are authors and recording artists. They produce a book or a recording once and get paid royalty checks for ever. What a concept. What a great notion to aspire to.

The wealthy understand and use 5 areas of leverage and you will want to begin using them too.

**1. Leverage through money.** This notion most people understand but far too few actually implement. Take an investment property for example. You leverage other people's money once and receive rental income and capital appreciation for as long as you hold the property. Income investments such as income and dividend paying securities and mutual funds also fit the bill here.

**2. Leverage through systems.** McDonalds is the classic case for running and managing systems. The term SYSTEM stands for "Save Yourself Time Energy and Money". Any system that you have for doing a task in your business – if it is known only by you – is counter productive...Write it down, photograph it, record it, make a video of it – and then you have documented a basic system that anyone can understand and follow. Systems are key to successful leverage in business.

**3. Leverage through people.** Train your people once and have them work for you long-term. Too many business owners try to do it all themselves to save money. Their time should be spent on other things – not the repetitious and the mundane – pay someone to relieve yourself of these

burdens. You are far better off to pay someone to do a \$10 an hour task so that you and your time is freed up to be able to charge yourself out at \$100 an hour!

**4. Leverage through customers.** This is the one to really focus on if you are in business or contemplating getting into business. Do the work once (get a customer/client). And get paid over and over again (keep them as a client for life and get the financial benefits of their repeat business).

If you have the business set up correctly and treat your customers with care and respect you will have them coming back again and again...

Leverage is crucial to your long-term success in business and your wealth creation plans.

So constantly ask yourself – “Am I being paid once for this activity – or forever”.

The answers to that question should immediately and dramatically change things around for you!

For example, I wrote this only once.

However, you and others like you have already read it - and others will be reading it...

Now let's look at leverage: the concept of money at work (where it works for you).

If you were to go out and borrow \$350,000 as a loan and have the repayment of that loan as an “interest only” payment. Assuming a 6% interest cost you would have a monthly commitment of \$1,750 or \$21,000 a year. Sounds like allot right? Well, sure. However, if you invested that money getting an annual return of 8% before taxes (which is easily achievable long term) Your investment portfolio would have the following values every 5 years:

5 yr. value = \$521,446  
10 yr. value = \$776,874  
15 yr. value = \$1,157,422.52  
20 yr. value = \$1,724,380.97  
25 yr. value = \$2,569,061.59

Once the \$350,000 is paid off, this is your pre tax profit every 5 years.

5 yr. value = \$171,446  
10 yr. profit = \$426,874  
15 yr. value = \$807,422.52  
20 yr. value = \$1,374,380.97  
25 yr. value = \$2,219,061.59

Oh, and because the loan was for investment purposes (unlike a Canadians home mortgage interest) the interest carrying costs are fully tax deductible to you each and every year. (Just the same way as if you had put money into an RRSP – you get the same deduction value).

In fact, over the 25 year life of the loan (assuming a constant carrying cost of 6%) the total annual tax deductible interest costs for you would be \$525,000! If you are in the 40% marginal tax bracket you would have realized tax refunds totalling \$210,000. So your net borrowing costs really are \$315,000. On which you have a pre tax portfolio valued at \$2,219,000.

## **How Your Money Makes Money For You**

There are really only 3 ways that your money makes money for you:

- 1. Interest Income** – Income that comes from “debt securities”. GICs, corporate bonds, Government bonds, etc.
- 2. Dividend Income** – Income that comes from “dividend paying” equity (ownership) securities – Dividends are “after tax” corporate profits
- 3. Capital Gains Income** – Income that is derived from selling a capital asset for more than the purchase price – A stock, rental property, etc.

Each form of income is taxed at a different rate: Thus, it's not how much you make but how much you get to keep after tax that is significant!

**For investing purposes there are only 3 main asset classes are: stocks, bonds and cash (or cash equivalents).**

Successful investing is the methodology of mixing these 3 separate asset classes in such a way as to create a much more constant form of investment return...this is known as “asset allocation”.

**Asset allocation makes up 91.5% of a portfolio's return!**

**Market timing about 1.8%.**

**Security selection about 4.6%**

The benefits of proper asset allocation are: reduced volatility and more consistent returns.

Now you may be asking, "What's the big deal. If I am in for the long haul won't it all work out for me?" Well, yes it may however, don't overlook the magic and power of compounding...

Albert Einstein likened compounding to “The 8<sup>th</sup> Wonder Of The World”. And he was – well, a genius so he should know!

Download this short report that illustrates that we mean.

<http://howtobesetforlife.com/21YearAssetClasses.pdf>

Just "right click" and "save as" to your "desk top".

Well...now does it make sense? Proper asset allocation with periodic "re balancing" - over time - is what really creates - and preserves wealth!

I often get asked “what's the market going to be doing”? I always ask in return: “What market are you referring to”?

There are many markets...

Are you referring to:

The Canadian dollar market? The real estate market? The bond market? The stock market?

Well, if you are asking about the stock market it is going through it's cycles just like every other market. However, the popular media has made such a big thing out of "the market" that we feel that we need to know the answer to "Where's the market gong? Well, it is moving in fits and starts – just as it always has – just as it always will.

See The Andex Chart that "overlays" Canadian stocks, bonds, GICs, real estate and inflation from 1950. [http://www.andexcharts.com/c\\_ewall.htm](http://www.andexcharts.com/c_ewall.htm)

However, the real question should be...how's your asset allocation model? Don't even know that that means? If you don't know what asset allocation means they you probably don't have one!

An asset allocation model means that you have a guide to the asset classes your portfolio has and the core percentages of which you hold them.

Distinct asset classes are "non correlated" to each other. (Cash, bonds, and stocks)

Meaning, when one asset class goes down you have others that are neutral or going up to compensate.

You can see this in action as follows:

### **When 8% BEATS 13%!!!**

When it comes to creating wealth – rates or return ARE important. And time IN the market – NOT trying to time the market IS important. However, this is not the only story.

It is "consistency of returns" (i.e. compounding) – that is far to often overlooked - at an investor's peril! Taking on "more risk" even with a longer time horizon does NOT necessarily carry the same reward as taking less "risk".

Various Assets & Index Returns - 21 Years

|                | <u>Yr. Ends</u><br><u>December</u> | <u>Precious Metals</u><br><u>(Gold)</u> | <u>Hypothetical</u><br><u>Investment</u> | <u>Natural Resources</u><br><u>(Oil &amp; Gas)</u> | <u>Hypothetical</u><br><u>Investment</u> |
|----------------|------------------------------------|---|--|--|--|
|                |                                    |   | <u>\$ 400,000.00</u>                     |  | <u>\$ 400,000.00</u>                     |
|                | 1984                               | -20.3                                   | \$ 318,800.00                            | -9   | \$ 364,000.00                            |
|                | 1985                               | 27                                      | \$ 404,876.00                            | 13.3   | \$ 412,412.00                            |
|                | 1986                               | 30.5                                    | \$ 528,363.18                            | -5.1   | \$ 391,378.99                            |
|                | 1987                               | 23.9                                    | \$ 654,641.98                            | 15.3   | \$ 451,259.97                            |
| 5yrs.          | 1988                               | -24.6                                   | \$ 493,600.05                            | -4.4   | \$ 431,404.53                            |
|                | 1989                               | 9.5                                     | \$ 540,492.06                            | 21.8   | \$ 525,450.72                            |
|                | 1990                               | -7.9                                    | \$ 497,793.19                            | -11.8  | \$ 463,447.54                            |
|                | 1991                               | -6.5                                    | \$ 465,436.63                            | 1.8  | \$ 471,789.59                            |
|                | 1992                               | 2.8                                     | \$ 478,468.85                            | 30.8   | \$ 617,100.79                            |
| 10yrs.         | 1993                               | 82.5                                    | \$ 873,205.66                            | 64.2   | \$1,013,279.49                           |
|                | 1994                               | 1.4                                     | \$ 885,430.54                            | -12.1  | \$ 890,672.68                            |
|                | 1995                               | 10.2                                    | \$ 975,744.45                            | 8.5  | \$ 966,379.85                            |
|                | 1996                               | 39.1                                    | \$ 1,357,260.53                          | 37.8   | \$1,331,671.44                           |
|                | 1997                               | -40.3                                   | \$ 810,284.54                            | -13.4  | \$1,153,227.46                           |
| 15yrs.         | 1998                               | -14                                     | \$ 696,844.70                            | -31.9  | \$ 785,347.90                            |
|                | 1999                               | -5.6                                    | \$ 657,821.40                            | 19.5   | \$ 938,490.74                            |
|                | 2000                               | -8.6                                    | \$ 601,248.76                            | 19.6   | \$1,122,434.93                           |
|                | 2001                               | 34.7                                    | \$ 809,882.08                            | 4.9  | \$1,177,434.24                           |
|                | 2002                               | 93.9                                    | \$ 1,570,361.35                          | 16.3   | \$1,369,356.02                           |
| 20yrs.         | 2003                               | 46.9                                    | \$ 2,306,860.82                          | 33.5   | \$1,828,090.29                           |
|                | 2004                               | -15.8                                   | \$ 1,942,376.81                          | 22.3   | \$2,235,754.43                           |
|                | 2005                               | 22.8                                    | <u>\$ 2,385,238.73</u>                   | 44.7   | <u>\$3,235,136.65</u>                    |
| <b>Total**</b> | -                                  | <b>13%</b>                              | -  | <b>12.8%</b>                                       | -  |

\*Average Annualized Compound Returns for All Indexes

Data Compiled from Morningstar Canada

**\*Disclaimer:** Data Compiled from Morningstar Canada. The rate of return or mathematical table shown is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual fund or asset allocation service or returns on investment in the mutual fund or from the use of the asset allocation service. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

For instance look at the "Precious Metals Index" and the "Oil & Gas Index".

Even though both of these indexes have the same 21 year average annualized compound rate of return of 13% - the "Oil & Gas Index" has rewarded the investor with \$850,000 MORE! Why?

Because of a much more constant return. The highs and the lows are not as extreme as the "Precious Metals Index". This illustrates how compounding works. If in any given year you lose less than another investor - there is just that much more of your invested money available to be in position for gain potential for the next year...Make sense?

Now look at the "TSX" (Toronto Stock Exchange Index) and the "Precious Metals Index". This same point is again illustrated here.

**Various Assets & Index Returns - 21 Years**

| <u>Yr. Ends</u> | <u>TSX</u> | <u>Hypothetical Investment</u> | <u>Dow Jones</u> | <u>Hypothetical Investment</u> | <u>Balanced Fund</u> | <u>Hypothetical Investment</u> |
|-----------------|------------|--------------------------------|------------------|--------------------------------|----------------------|--------------------------------|
|                 |            | <b>\$ 400,000.00</b>           |                  | <b>\$ 400,000.00</b>           |                      | <b>\$ 400,000.00</b>           |
| 1984            | -2.4       | \$ 390,400.00                  | 1.7              | \$ 406,800.00                  | 6.2                  | \$ 424,800.00                  |
| 1985            | 25.1       | \$ 488,390.40                  | 35.8             | \$ 552,434.40                  | 22.8                 | \$ 521,654.40                  |
| 1986            | 9          | \$ 532,345.54                  | 21               | \$ 668,445.62                  | 7.4                  | \$ 560,256.83                  |
| 1987            | 5.9        | \$ 563,753.92                  | 4.7              | \$ 699,862.57                  | 4.7                  | \$ 586,588.90                  |
| 5yrs. 1988      | 11.1       | \$ 626,330.61                  | 9.8              | \$ 768,449.10                  | 9.8                  | \$ 644,074.61                  |
| 1989            | 21.4       | \$ 760,365.36                  | 14               | \$ 876,031.97                  | 14                   | \$ 734,245.05                  |
| 1990            | -14.8      | \$ 647,831.29                  | -2.4             | \$ 855,007.21                  | -2.4                 | \$ 716,623.17                  |
| 1991            | 12         | \$ 725,571.04                  | 15.1             | \$ 984,113.29                  | 15.1                 | \$ 824,833.27                  |
| 1992            | -1.4       | \$ 715,413.04                  | 5.6              | \$ 1,039,223.64                | 5.6                  | \$ 871,023.93                  |
| 10yrs. 1993     | 32.5       | \$ 947,922.28                  | 20.7             | \$ 1,254,342.93                | 20.7                 | \$ 1,051,325.89                |
| 1994            | -0.2       | \$ 946,026.44                  | 8.2              | \$ 1,357,199.05                | -2.6                 | \$ 1,023,991.42                |
| 1995            | 14.5       | \$ 1,083,200.27                | 29.8             | \$ 1,761,644.37                | 14.9                 | \$ 1,176,566.14                |
| 1996            | 28.3       | \$ 1,389,745.95                | 26.4             | \$ 2,226,718.49                | 16                   | \$ 1,364,816.72                |
| 1997            | 15         | \$ 1,598,207.84                | 28               | \$ 2,850,199.66                | 10.8                 | \$ 1,512,216.92                |
| 15yrs. 1998     | -1.6       | \$ 1,572,636.52                | 24.3             | \$ 3,542,798.18                | 3.4                  | \$ 1,563,632.30                |
| 1999            | 31.7       | \$ 2,071,162.29                | 18.1             | \$ 4,184,044.65                | 7.2                  | \$ 1,676,213.82                |
| 2000            | 7.4        | \$ 2,224,428.30                | -2.5             | \$ 4,079,443.53                | 9.9                  | \$ 1,842,158.99                |
| 2001            | -12.6      | \$ 1,944,150.34                | -1.4             | \$ 4,022,331.32                | -0.5                 | \$ 1,832,948.20                |
| 2002            | -12.4      | \$ 1,703,075.70                | -17.4            | \$ 3,322,445.67                | -5.2                 | \$ 1,737,634.89                |
| 20yrs. 2003     | 26.7       | \$ 2,157,796.91                | 2.5              | \$ 3,405,506.81                | 12.3                 | \$ 1,951,363.98                |
| 2004            | 14.5       | \$ 2,470,677.46                | -3.9             | \$ 3,272,692.05                | 9                    | \$ 2,126,986.74                |
| 2005            | 24.1       | <b>\$ 3,066,110.73</b>         | -3.7             | <b>\$ 3,151,602.44</b>         | 10.3                 | <b>\$ 2,346,066.38</b>         |
| <b>Total**</b>  | <b>11%</b> |                                | <b>10.65%</b>    |                                | <b>8.60%</b>         |                                |

\*Average Annualized Compound Returns for All Indexes

Data Compiled from Morningstar Canada

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However, in this case, over 21 years the TSX has an 11% average annualized compound rate of return versus the "Precious Metals Index" of 13% - yet the difference is a staggering \$680,000 MORE! The TSX index is the winner of the "battle of the indexes" even though it averaged 2% LESS per year than the "Precious Metals Index".

Let's look at a "balanced fund" example. Your \$400,000 initial investment would be worth \$2.3 million dollars after 21 years – pretty much the same value as the "Precious Metals index"! In this case – 8.6% compound annualized return for the balanced fund gives the same investment return as the "Precious Metals index" which had a 13% average annualized compound return!

That's a 4.4% returns difference each and every year – yet the value stands the same. Do you see what I am trying to get at?

**Rule #1 – Don't lose money!**

**Rule #2 – Don't forget Rule #1!**

Remember, if in any given year you lose less - you don't have to make up as much just to "get back in the game"...

Many people feel that real estate presents the best "long term" investment out there. I wonder if you agree with that statement now. Frankly, I think that the reason for that thinking comes from the fact that because individuals are paying off mortgages for 25 years it keeps them IN one market and single asset class for a long time.

Various Assets & Index Returns - 21 Years

| Yr. Ends        | Real          | Hypothetical           |              | Hypothetical           |                  | Hypothetical         |
|-----------------|---------------|------------------------|--------------|------------------------|------------------|----------------------|
| <u>December</u> | <u>Estate</u> | <u>Investment</u>      | <u>GICs</u>  | <u>Investment</u>      | <u>Inflation</u> | <u>Investment</u>    |
|                 |               | <b>\$ 400,000.00</b>   |              | <b>\$ 400,000.00</b>   |                  | <b>\$ 400,000.00</b> |
| 1984            | 7             | \$ 428,000.00          | 10.5         | \$ 442,000.00          | 4                | \$ 416,000.00        |
| 1985            | 8.7           | \$ 465,236.00          | 8.8          | \$ 480,896.00          | 4                | \$ 432,640.00        |
| 1986            | 9.2           | \$ 508,037.71          | 8.4          | \$ 521,291.26          | 4.5              | \$ 452,108.80        |
| 1987            | 11.1          | \$ 564,429.90          | 7.9          | \$ 562,473.27          | 4.2              | \$ 471,097.37        |
| 5yrs. 1988      | 8.8           | \$ 614,099.73          | 9.2          | \$ 614,220.82          | 4.1              | \$ 490,412.36        |
| 1989            | 13.2          | \$ 695,160.89          | 10.8         | \$ 680,556.66          | 5.3              | \$ 516,404.22        |
| 1990            | 4             | \$ 722,967.33          | 11.3         | \$ 757,459.57          | 5                | \$ 542,224.43        |
| 1991            | -0.5          | \$ 719,352.49          | 8            | \$ 818,056.33          | 4.2              | \$ 564,997.85        |
| 1992            | -3            | \$ 697,771.92          | 5.7          | \$ 864,685.54          | 1.7              | \$ 574,602.82        |
| 10yrs. 1993     | -7.7          | \$ 644,043.48          | 4.6          | \$ 904,461.08          | 1.9              | \$ 585,520.27        |
| 1994            | 1.8           | \$ 655,636.26          | 5.7          | \$ 956,015.36          | -0.1             | \$ 584,934.75        |
| 1995            | 5             | \$ 688,418.08          | 6.1          | \$ 1,014,332.30        | 2.1              | \$ 597,218.38        |
| 1996            | 3.9           | \$ 715,266.38          | 3.5          | \$ 1,049,833.93        | 2                | \$ 609,162.75        |
| 1997            | 16.1          | \$ 830,424.27          | 2.8          | \$ 1,079,229.28        | 0.9              | \$ 614,645.21        |
| 15yrs. 1998     | -2.4          | \$ 810,494.09          | 3.6          | \$ 1,118,081.53        | 1.2              | \$ 622,020.96        |
| 1999            | 2.2           | \$ 828,324.96          | 3.8          | \$ 1,160,568.63        | 2.2              | \$ 635,705.42        |
| 2000            | 9.4           | \$ 906,187.50          | 4.7          | \$ 1,215,115.35        | 3.2              | \$ 656,047.99        |
| 2001            | 7.5           | \$ 974,151.56          | 2.7          | \$ 1,247,923.47        | 0.7              | \$ 660,640.33        |
| 2002            | 4.4           | \$ 1,017,014.23        | 1.6          | \$ 1,267,890.24        | 4.3              | \$ 689,047.86        |
| 20yrs. 2003     | 5.5           | \$ 1,072,950.02        | 1.7          | \$ 1,289,444.38        | 1.6              | \$ 700,072.63        |
| 2004            | 6.4           | \$ 1,141,618.82        | 1.2          | \$ 1,304,917.71        | 2.4              | \$ 716,874.37        |
| 2005            | 11.6          | <b>\$ 1,274,046.60</b> | 1.5          | <b>\$ 1,324,491.48</b> | 2                | <b>\$ 731,211.86</b> |
| <b>Total**</b>  | <b>5.60%</b>  |                        | <b>5.64%</b> |                        | <b>2.80%</b>     |                      |

\*Average Annualized Compound Returns for All Indexes

Data Compiled from Morningstar Canada

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Even if you are in a poor performing asset class – (see GICs) – if you are in ANY market for a long time – even a poor one – you’ve got to end up making money!

Bear in mind that one should not use “short term” investments (GICs, term deposits) EXCLUSIVELY to fund long term needs i.e. retirement. I think that you will agree that the numbers illustrate this in a very compelling fashion.

Because when you factor inflation into the mix you are not ahead of the game in any meaningful way. In fact, you are “going broke safely”! The inflation index shows that it would take \$700,000 to purchase the equivalent of \$400,000 of assets in 1984 dollars.

This then bears out the “truism” that you should never put “all your eggs in one basket”.

However, if you do – make sure that you keep your eyes on that basket...

Watch this video to see what I mean.

This short report has explored the importance of creating balance and harmony in your investment world and portfolio.

We have successfully illustrated that you need not take on more risk to still grow your wealth in a prudent fashion.

Now watch the video that illustrates this important concept even more – in retirement.

Watch Professor Moshe Milevsky from York University as he explains the issues in retirement and illustrates how NOT to fall into the common “retirement traps”.

<http://howtobesetforlife.com/MilevskyVideo.html> (Use your Internet Explorer “browser” – will not work with Firefox)

Here’s another way of looking at what we have been saying with actual investment funds.

See how the non correlated assets classes work independently of each other?

**“Simple” – Annualized Returns**

| me                        | Fund Type | % Ret YrEnd Oct07 | % Ret YrEnd Oct06 | % Ret YrEnd Oct05 | % Ret YrEnd Oct04 | % Ret YrEnd Oct03 | % Ret YrEnd Oct02 | % Ret YrEnd Oct01 | % Ret YrEnd Oct00 | % Ret YrEnd Oct99 | % Ret YrEnd Oct98 |
|---------------------------|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Canadian Dividend         | Equity    | 13.0              | 17.9              | 21.5              | 18.0              | 18.7              | 3.3               | 1.0               | 17.8              | 1.4               | -1.8              |
| Focus+ Balanced           | Balanced  | 3.7               | 6.4               | 11.2              | 7.6               | 16.8              | 13.0              | 4.7               | 13.7              | 0.9               | -4.1              |
| Focus+ Diversified Income | Equity    | 2.0               | 19.8              | 15.1              | 27.0              | 18.2              | 26.1              |                   |                   |                   |                   |
| Focus+ Real Estate        | Equity    | 7.2               | 29.3              | 15.0              | 22.7              | 16.8              | 7.4               | 10.6              | 14.3              | -4.2              | -21.5             |
| Focus+ Resource           | Equity    | 40.3              | 49.9              | 28.0              | 33.3              | 22.8              | 29.0              | 18.4              | -10.4             | 13.4              |                   |
| Precious Metals           | Equity    | 34.3              | 75.7              | -4.6              | -20.3             | 86.4              | 49.3              | 46.8              | -26.6             | -0.8              | -21.8             |
| Portfolio2                | CustomP   | 12.2              | 18.8              | 16.1              | 16.0              | 17.9              | 13.4              |                   |                   |                   |                   |

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Now, see how the non correlated assets classes work to and essentially collaborate in reducing the overall portfolio "volatility of the portfolio and enhance investment returns?"

### "Smoothed Out" – Annualized Returns

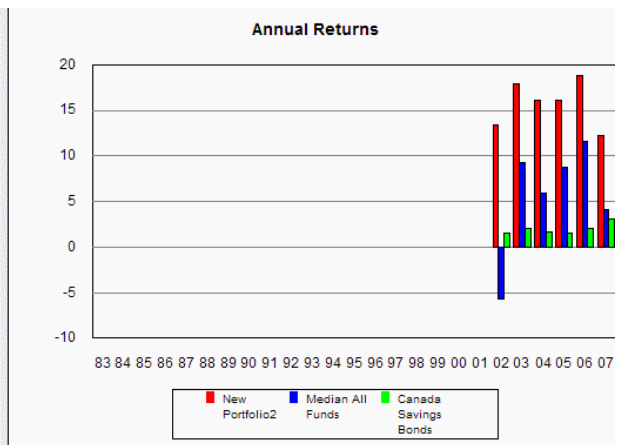
| me                        | Fund Type | Equity Style | Mstar Rating | YTD Ret | 1 Yr Ret | 2 Yr Ret | 3 Yr Ret | 4 Yr Ret | 5 Yr Ret | 7 Yr Ret | 10 Yr Ret | 3Yr Std Dev | Exp Ratio |
|---------------------------|-----------|--------------|--------------|---------|----------|----------|----------|----------|----------|----------|-----------|-------------|-----------|
| Canadian Dividend         | Equity    |              | ★★★★         | 8.5     | 13.0     | 15.4     | 17.4     | 17.6     | 17.8     | 13.1     | 10.7      | 10.0        | 2.43      |
| Focus+ Balanced           | Balancer  |              | ★★★          | 1.6     | 3.7      | 5.0      | 7.0      | 7.2      | 9.0      | 9.0      | 7.2       | 5.5         | 2.41      |
| Focus+ Diversified Income | Equity    |              |              | 9.1     | 2.0      | 10.6     | 12.0     | 15.6     | 16.1     |          |           | 12.4        | 2.13      |
| Focus+ Real Estate        | Equity    |              |              | 0.0     | 7.2      | 17.7     | 16.8     | 18.2     | 17.9     | 15.3     | 8.8       | 8.1         | 2.58      |
| Focus+ Resource           | Equity    |              | ★★★★★        | 18.5    | 40.3     | 45.0     | 39.1     | 37.6     | 34.5     | 31.3     |           | 20.2        | 4.65      |
| Precious Metals           | Equity    |              |              | 13.0    | 34.3     | 53.6     | 31.1     | 15.7     | 27.3     | 32.9     | 15.4      | 29.9        | 2.78      |
| folio2                    | CustomP   |              |              | 7.0     | 12.2     | 15.4     | 15.6     | 15.7     | 16.2     |          |           | 8.2         |           |

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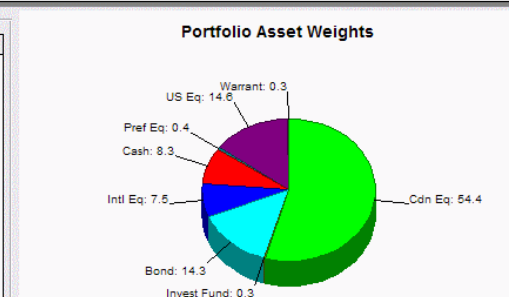
The "weighting" of the various asset classes is illustrated below.

### Portfolio - Asset Allocation "Breakdown"

| Performance Data | Portfolio | CSB   | Inflation | 5 Yr GIC |
|------------------|-----------|-------|-----------|----------|
| ate              |           |       |           |          |
| th               | 2.99%     | 0.25% | 0.18%     | 0.29%    |
| rt               | 2.91%     | 0.74% | 0.00%     | 0.86%    |
| onths            | 1.51%     | 1.49% | 0.72%     | 1.75%    |
| r                | 12.18%    | 3.00% | 2.47%     | 3.26%    |
| id Rates         |           |       |           |          |
|                  | 15.42%    | 2.50% | 1.60%     | 3.19%    |
|                  | 15.64%    | 2.16% | 2.14%     | 3.04%    |
|                  | 16.17%    | 2.03% | 2.09%     | 3.07%    |
|                  |           | 2.79% | 2.13%     | 3.79%    |
|                  |           | 3.47% | 1.91%     | 4.63%    |



| Allocation                | Jun01 | Jun01 (\$) | Oct07 | Oct07 (\$) |
|---------------------------|-------|------------|-------|------------|
| Canadian Dividend         | 20%   | 20,000     | 19%   | 44,951     |
| Focus+ Balanced           | 50%   | 50,000     | 37%   | 88,147     |
| Focus+ Diversified Income | 10%   | 10,000     | 12%   | 27,568     |
| Focus+ Real Estate        | 10%   | 10,000     | 10%   | 24,928     |
| Focus+ Resource           | 10%   | 10,000     | 23%   | 54,021     |
| Precious Metals           | %     | 1          | %     | 5          |
|                           |       | 100,001    |       | 239,620    |



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## **It's Your Life – What Are You Going to Do About It?**

"It's not what happens to you, it's what you do about it"

"Formal education will make you a living; self-education will make you a fortune."

The amount of money the world will be willing to pay you is directly proportionate to the knowledge you have and your ability to put that knowledge into useful action. The more you develop yourself, the more you are worth. - Jim Rohn

"Be totally dedicated to the pursuit you've chosen"

### **The 5 Tips For Your Financial Success**

**1. "Bad debt" is your enemy.** If you don't have the money, don't buy it.

**2. Time is your friend (for now).** In your late teens and early 20s, it's hard to think about retirement. That's a lifetime away. But right now, you have a unique chance — one that is weakening a tiny bit every year — to take advantage of a miracle. It's called the Miracle of Compound Interest. This is a fancy financial term for saying that the money that you make on the money you save increases exponentially. In fact, your money is working for you.

But to get maximum benefit from this financial miracle, you need to start saving as soon as possible. Like now.

But the longer you leave it, the more you will have to put away later to reach the same financial target. A LOT more. And that's much harder to do when you've got the mortgage, the kids and other 'grown-up' expenses. So start now!

**3. Don't spend more than you earn.** You need to be saving for more than retirement. How about the deposit on a house? Or a new car? There's also the very important emergency fund. It makes all the difference in the world to know you have some money set aside to help you through without resorting to debt.

**4. Don't wait until you find your true love to grow up financially.** Many people subconsciously wait until getting married before getting serious about personal finance. By then it's often too late!

**5. Educate yourself about personal finance.** Build your knowledge base so you can make better decisions about your financial life. Begin by checking out the resources page that accompany these notes here at: <http://HowToBeSetForLife.com/Resources.html>

Consider these tips the building blocks to your financial future. Start out with these and see the difference it makes to your bank account and your life in general.

Please don't think that I'm recommending you turn into some kind of Scrooge, counting every penny and being miserly, I'm not. As in many things in life, you want to find a balance between spending and saving.

Continue to grab every opportunity to travel while you can (and if you can afford it).

Enjoy life to the fullest. Just make sure that you don't have a price to pay later.

## **Epilogue**

### **Switch OFF Your TV – And Get Rich Instead!**

The average Canadian adult watches 25 hours of TV per week or about 3-4 hours per day.

That is a truly terrifying statistic.

That's four hours wasted every day, four hours squandered on gaping into the vapid, make-believe world of the little screen.

That's ONE SIXTH of your time on earth!!!

In five months of 8-hour days you could easily create (and run!) a highly profitable online business

Instead, people are slumped in front of mindless soaps and reality TV shows...

Then, of course, they are heard to moan that they 'never had a chance' or that 'the rich get richer'.

### **How To Make Some Extra Money...**

While I researched for this talk I assembled allot of valuable information and resources which I am author to and as such can control how I wish to use it. I can "giveaway" some or all of this information or I can sell it – or any combination of the two...

There are individuals all over this nation that would love to have and learn about what we have discussed here today.

So, I could take this information produce reports and ebooks; talk about it using teleconference calls, audio broadcasts, and mp3s or show it with Screen capture videos, Webinars, etc.

With the Internet, (the ultimate in leverage technology) I can create a Website, create a Paypal link to accept payments and drive "traffic" to that Website to see what I have to offer.

Everything can be automated so that I can be making sales at 2am in the morning! This is the ultimate in "making money while you sleep!"

I know this for a fact because I do it with my financial planning information and other materials.

My challenge to you as bright, tech savvy students is this:

Research something you know about or that you are interested in – and do the same.

There are many individuals who have become millionaires on the Internet...

Who knows – maybe you will be the next one!

In any event, good luck in all your endeavours and I wish you much success in your life.

**- The End -**

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**<http://HowToBeSetForLife.com>**