6 Steps to Getting Your Money to Outlive You

CEO Fireside Chat

THE LeeArnold SYSTEM OF REAL ESTATE INVESTING

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The 6 Steps to Getting Your Money to Outlive You

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Printed and bound in the United States.

The 6 Steps

To Getting Your Money to Outlive You

Welcome to the September CEO Fireside chat. We're going to be talking about a very timely subject. One that has most likely been discussed many times over breakfast or dinner as you look toward your future retirement. The question that often comes up—"How can we make sure we don't outlive our money?"

This presentation is near and dear to my heart. My grandmother who is now 93 years old owned farm acreage with my grandfather and I used to help out as a kid putting up hay and helping them feed the

What is the CEO Fireside

These monthly success-building, all content trainings help you overcome common obstacles and enhance your business acumen for further growth and development. That being the case, we only want 200 of the most serious, involved entrepreneurs on the call.

cows. As a kid I remember thinking that Grandma and Grandpa were rich and at the time they were. They had a lot of expendable income as they would sell off cattle for beef and sell hay for feed. They always had plenty. But now, as my grandmother has turned 93, we find that she is outliving her money. It's unfortunate and it shouldn't have happened. She was caught up in the same mind-set that many of us are, which is, "I've put enough away and I have social security."

But I'll show you in this presentation that with inflation, and other extenuating circumstances and factors, what you think is enough may not be. Today we're going to talk about making sure you don't outlive your money. We're going to talk about understanding the financial landscape and your present financial situation.

With medical technology and advancements, people are living longer, which is great. Unfortunately, a lot of the financial information that we have and the way that we plan our retirement is based on life expectancy, which used to be much shorter. I believe that was partly what happened to my grandparents. Growing up in the early 1900s, life expectancy was only 65 to 75 years.

Today, a husband and wife, both aged 65, have approximately a 47 percent chance that at least one of them will live to his or her 90th birthday, and a 20 percent chance of living to his or her 95th birthday. This is pretty phenomenal. If you go back just 50 years, the odds of living to your 90th birthday were about one in a thousand.

In addition to the risk of outliving one's assets, the sharp declines in financial markets and in home equity during the last few years, and the continued increase in health care costs have intensified concerns about whether or not a person has saved enough and how to best manage those savings in retirement. According to the Washington-based Employee Benefit Research Institute almost half of those near retirement are predicted to run out of money and will be unable to cover even their basic expenses and uninsured health care costs. Now, I'm not going to go on a rant about the Affordable Health Care Act or, quote-unquote, Obamacare. But many of the retirees and seniors I work with have found that it is not nearly as affordable as everyone anticipated. I'm also not saying that we will never recover from the recessionary period of '08 and '09 and 2000 because we can see that's not true. Consumer confidence is at an all-time high. This is how the market works. We will always see fluctuations, however the market normally improves after a recession and we're seeing that happening right now.

Old Way of Thinking… Not Panning Out

In the old days it used to be that we could get a good job, buy a home and live there for 30 years. We would raise our kids there. Then we would pay the home off and proceeds from the sale of the house would pay for our retirement. That's all well and good, except that we're no longer seeing home appreciation expanding as rapidly as it did in previous years. Certainly there are pockets within the country where we're seeing increased, exciting growth. But from a consistency standpoint, we're hovering at about 1.8 percent annualized depreciation, which is not great. With inflation at two and a half, many people are going backwards at 1.8 on the appreciation of their largest asset, which is the equity in their home.

So, Where Do You Sit? Let's Analyse Your Financial Situation

A 25-year-old just starting to save would only need to put away about $160 each month to generate $1000 in monthly retirement income. If you start saving at age 35 you'll need to contribute almost $270 a month to generate the same income. A 45-year-old just beginning to save for retirement would have to put away nearly $500 every month. And a 55-year-old just starting to build a nest egg would have to make monthly contributions of $1,154 for every $1000 in monthly retirement income. That's double the amount of a 45-year-old, and more than seven times the sum of a 25-year-old. So if you're in that 25 to 35 age bracket, now is the time to get started. I started investing in real estate when I was 18 years old. I was fortunate and blessed in that way. As that grew I sought investment opportunities through my self-directed IRA, whole life insurance policies, and stocks and bonds which has given me a nice blended portfolio. Now, if you are older, there's an increased level of urgency to plan and prepare. You need to start now.

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To understand where you are and to see if you're ready to retire, let's take a test that I found in *The Wall Street Journal*, October 2013.

Question No. 1: Research by Fidelity Investments recommends that a worker should aim to save what multiple of their ending salary at age 67 to meet basic needs in retirement?
a. Four times their salary?
b. Six times their salary?
c. Eight times their salary?
Or ten times their salary?

The answer is C. The math is based, in part, on a worker beginning to save at age 25 and living to 92. A household with an annual income of a hundred thousand would need a minimum of $800,000 to meet basic needs in retirement. So, what do you earn annually right now? Take that times eight and that's the amount of cash you need to have in some type of investment account, whether it be a self-directed IRA, a stock portfolio, or 401K.

The catch? That's a conservative estimate according to the National Institute on Retirement Security. By contrast, a well-known human resource consultant firm, estimates that 11 times salary is needed at age 65. So, as you can see, at the age of 35 you need 1X, while at 67 you will need 8X, to retire.

Question No. 2: A popular rule of thumb states that retirees will need 70 to 80 percent of their pre-retirement income in later life. Some of the best research into replacement ratios by George

Helping you achieve your financial goals

State University, has found that a good benchmark is:

a. 65%
b. 85%
c. 75%
d. 95%

The answer is C. This is one case where the rule of thumb isn't far off the mark. In its own study of replacement ratios, the Social Security Administration has noted that households typically need less income in later life because income taxes are lower. People no longer need to save for retirement and work-related expenses are reduced or eliminated. That said, the best way to identify one's replacement ratio is to draw up a detailed budget for later life. So 85 percent of your current income is what you'll need. And you need to add that to your retirement accounts, as well as social security.

I'm not one of these people who thinks social security is going away. Social security is an absolute necessity, simply because the majority of Americans do not plan for their own retirement. If they don't figure out a way to fix social security, all those people who would normally be drawing social security checks, will be drawing welfare checks. Either way this group has to and will be paid and they're either going to do it through the existing social security system or with some kind of reform. They will raise taxes to cover the increased costs.

Question No. 3: What percentage of surveyed workers age 55 plus say they, or their spouse, have tried to calculate how much they will need to save to live comfortably in retirement?
a. 34%
b. 44%
c. 54%
d. 64%

This question is based on adults having constructive conversations related to retirement. Are we talking about how much are we going to need? What percentage of couples are having the how-much-money-are-we-going-to-need-for-retirement conversation?

The answer is C, 54 percent, which is not too shabby. According to the Employment Benefit Research Institute, only about half the workers approaching retirement have done a savings needs calculation. One encouraging development—that figure is up from 42 percent in 2003. It's still scary because 46 percent of future retirees aren't planning. The United States of America was founded on the godly principle of one nation under God, and therefore we take care of our poor. The Bible says you will always have the poor with you and it's our responsibility to take care of them. So, 46 percent of the population is not having the conversation about saving for retirement. Who do you suppose is going to have the responsibility of taking care of them financially? You guessed it—the 54 percent who are planning.

Now, we can say, "That's not fair" and "I don't like that." But that is the reality. Let's not worry about the things that we can't control—unless you want to run for president and get a whole new Congress in office. Instead, you need to look at what we can control—your own income. I like what President Bush said years ago, “Oftentimes we need to stop worrying so much about what's going on in the White House and worry more about what's going on in our own houses.” I think if we would really take that to heart, we would have much better results.

It's great that people are becoming more concerned about retirement. But there's another statistic that says every nine seconds a baby boomer retires. We're seeing a significant, substantial portion of the population retiring. The good news is that if one worker retires every nine seconds, how many high-end job openings does this create? This is encouraging for college graduates who have four-year degrees, but couldn't get a job, then went back and got master degrees. Jobs are beginning to open up for the highly educated, which is an exciting trend.

Question No. 4: Among workers age 55 plus, what percentage think they need to save $250,000 or more for retirement and what percentage have already saved that amount or more? Here are the choices:

a. 24% / 24%
b. 34% / 34%
c. 44% / 44%
d. 54% / 54%

The answer is D and A: According to the Employee Benefit Research Institute, about half the 55 plus demographic thinks a nest egg of at least $250,000 not including the value of their homes or any pensions, is needed for later life, but fewer than one in four have actually reached that goal. More sobering still, 36 percent of this age group reported having saved less than $10,000. I can't imagine being 55 years old and not even having $10,000 in my savings account.

If what I just said was offensive to you because I was talking about you directly and specifically, then you need to get it in gear. There is no more time. Time is your enemy. If you are 55 or older and you don't have at least $10,000 in your savings account, first of all, shame on you. That is unacceptable. Unfortunately, as we get older we don't have parents around to tell us what is unacceptable, so I'm going to tell you. If you're 55 or older and you have less than $10,000 saved, that is unacceptable and you need to get it in gear.

If you have kids, what example are you setting for them? If your money management skills are that poor, what are you teaching your kids? If this is you, you still have time. But what you cannot do is continue doing what you have done in the past, which is to sit around hoping and praying that things will improve while doing nothing different. You must take action and you must start now. There is education, opportunity, small business loans, and programs available to you. There is no excuse other than being lazy. You can't say, “Well, I didn't know.” The Internet has been around a long time. You could have researched it. There is a lot of good information out there that you could have sought out, but you didn't. So no more excuses.

You need to move forward and take control of your financial future starting today. If you don't, you will find yourself the responsibility of children who probably won't have much more money than you do, because you didn't teach them properly or you will be the responsibility of the government. Neither of those options are acceptable.

Question No. 5: What percentage of households are at risk of not having enough saved to maintain their standard of living in retirement?

a. 33%
b. 43%
c. 53%
d. 63%

The answer: C. 53 percent of U.S. households are at risk of not having enough saved to maintain their living standards during retirement. That figure climbed nine percentage points between 2007 and 2010. According to the National Retirement Risk Index published by the Center for Retirement Research at Boston College, among the reasons for this increase was the bursting of the housing bubble, falling interest rates and the gradual increase of Social Security's retirement age. The approved, if painful, solution for reducing that risk: Save more, reduce expenses and continue working as long as possible.

To give you my perspective on this, I don't believe scaling back on your lifestyle or the way you are accustomed to living— like traveling and fine dining—is a strong retirement plan. Why should that be the solution? Why not just earn more now? Why not just have more available for retirement so your lifestyle doesn't have to change unless you want it to? I don't think cutting back and skimping is the best way to make sure you don't outlive your money. If you’re here right now, it's because you're still alive. You still have blood and oxygen running through your veins. You still have an opportunity to make a change. And that's what I need you to do, make a change starting now.

I would also argue that if your current job is not providing you enough to create a retirement nest egg in order to survive without outliving your money, it’s safe to say that it never will. You may say, “But Lee, you don't understand, I have a good pension. I have a strong 401K. I'm doing the maximum match right now and I've got a plan and it's working.” Well, okay. But what happens if there is another reduction in the stock market. I saw people in 2007, '08, '09 and '10 literally lose over 50 percent of their entire portfolio. If you stayed in the market and didn't get scared and sell off, it's rebounded and it's back. But could you have survived if you were retired in 2008 or '09 and half your savings disappeared? Could you have retired?

Could it happen again? Possibly.

I'm not a gloom and doom guy, but I would suggest that you have a blended portfolio that includes real estate. Because as the market changes and inflation changes, real estate is the only hedge you have against inflation. Inflation is a devaluation of the dollar and the only thing that increases in value as inflation goes up is housing. If you don't have rental properties in your portfolio, inflation is going to kill you. Look at your portfolio and ask, “How much real estate do I own?” You need to have some real estate in your portfolio to survive.

Question No. 6: If you retire at age 65, what percentage of your life can you expect to live in retirement?

a. 14%
b. 17%
c. 20%
d. 23%

The average life expectancy for a 65 year-old is 19.1 years, which means the average American will spend close to one quarter of his or her life in retirement.

Wow. I have admit that it's disturbing to me that even my own employees who work in this environment will get a pay check on Friday, go out and spend frivolously, then come back on Monday and ask for an advance. We put a stop to that years ago. Instead we tell them that they need to learn how to manage their money. Why does this happen? Because a person’s belief system about money is ingrained in them as a young child. If they watched their parents not save, spend all the money they have, and use credit to go on vacations and purchase niceties that they really can't afford, that belief system will be transferred to them.

If your children have bad spending habits and poor money management skills, where do you suppose they learned it? You. Again, all is not lost and we can help. When we put on events, we actually allow children, between the ages of 12 and 25, to come for free. We want your children to be better educated so they won't be a drain on society when they hit retirement age. The only way we're going to fix the challenges in our nation is through education of our young people, but we need to educate them about the right things. We can't keep teaching them to live pay check to pay check—or if it's in your pocket, you have to spend it. We need to change their belief system about money. We **HAVE** to do this considering that 19 years of your life will be spent in retirement and you will live without income from a job. Many go from having a really good income for about forty years, to suddenly having no income for 19 years. To survive this, you have to make sure you're properly prepared.

Question No. 7: What percentage of participants in defined-contribution savings plans, including 401K's, contribute the maximum amount allowed each year?

a. 5%
b. 15%
c. 25%
d. 35%

Answer is A. Five percent. Are you kidding me? Line up a hundred people with good paying jobs at companies with a 401K plan, and only five of them will be doing the maximum match. Wow. About one in 20 savings plan participants contribute the maximum amount allowed annually, currently $17,500, according to a survey by the Government Accountability Office.

A Vanguard study published in June found that only 11 percent of participants in Vanguard-administered plans saved the maximum in 2012, and only 15 percent of those eligible took advantage of "catch-up" contributions (where people 50 or over can save an additional $5,500).

I find this all very interesting since most large companies offer 401K plans to their employees and they typically do a match, sometimes 3 to 6 percent. The defined contribution plan is often determined by the CEO or owner of the company. Sometimes they will increase the matching contribution as they get closer to retirement because they want to increase their own contributions. If you see the matching contributions ratcheting up, it's because the executive team running the company are preparing for their own retirement. That said, if you aren't taking full advantage of the maximum match you're insane. It's the fastest way to generate tax-free wealth through a job.

In a self-directed IRA the catch-up is $6,000 a year and you can do that for the previous year and the current year, so you can deposit $12,000 in a self-directed IRA right now, which can be used for down payments or earnest money on properties and take over underlying loans from motivated sellers that have equity. There is so much you can do with a small sum of money in a self-directed IRA if you simply educate yourself on these strategies.

This is what we teach. When you come to one of our Funding Tours, our Broker Certification Trainings, or to the corporate office for Lee's Inner Circle, these are the strategies that we teach you. Not only are we going to show you how to make money in real estate—how to find the right deals, how to finance them with the best private money terms, and package and fund them in your own portfolio—we will also teach you how to do it in a tax-free environment. We are not a custodial firm, but there are several that we can recommend. There's no reason why you can't save more, earn more, and do more. Even with the income you currently have. An argument I often hear is, "Lee, you don't understand. I only make $35,000 a year. For me to contribute $17,500 would be half my annual income."

Well, when do you want to cut back? Do you want to cut back now or in your retirement years? You're going to have to cut back sometime, so you might as well be disciplined now. You need to get to a place that, whatever it takes, that you are contributing the maximum allowable amount.

I know you may not be enjoying this CEO Fireside presentation as much as you have in the past, because no one talks to you about this. Nobody. Which is why we have the problem. I'm talking to you about it because you need to stop being a part of the problem, and start being the solution to the problem. And that begins by you fixing your own financial situation first. Then we'll teach you how to help others fix their financial problems—ultimately it's all about serving others. But, you cannot save someone else from drowning until you are safely on shore. Then you can help them. So if you're drowning in debt, or in a retirement outlook that isn't pretty, you need to do something for yourself first.

Question No. 8: A household of age 65 is living on a $120,000 a year. At 3 percent inflation, how much money would that household need at age 75 and at 85?

a. $141,000 / $197,000
b. $151,000 / $207,000
c. $161,000 / $217,000
d. $171,000 / $227,000

The answer is C. Put another way, an annual grocery bill of $5,000 today would equal $9,000 in 20 years. Wow, that's almost a hundred percent increase in just 20 years. In 10 years you will need $161,000 to have the same spending power that you currently have with $120,000. In 20 years you'll need $217,000 because inflation will continue. That's never going to change because we are Americans and want everything right now and always want more.

To keep up with inflation, we get raises, which simply creates more inflation. The cost of milk, fuel, and bread all continue to go up. So, yes, you can say, “Hey, I make $50,000 a year.” But that’s equivalent of saying, I make $42,000 a year 10 years ago. You may be making more, but the more you're making, the less you’re able to buy.

Helping you achieve your financial goals

Question No. 9: What percentage of households age 65 to 74 carry both housing and credit card debt?

a. 21% / 12%
b. 31% / 22%
c. 41% / 32%
d. 51% / 42%

The answer is C. 41 percent are carrying housing debt, and 32 percent are carrying credit card debt.
The housing figure for 2010 is up from 25 percent in 1992 says the Employee Benefit Research Institute. The credit card figure is unchanged over that period. So our spending habits have not changed since 1992. Wow.

Twenty-five years later we're still carrying the same level of credit card debt. It used to be a given to pay off any and all debt before retiring. But more families are entering retirement with more and more debt. Median mortgage debt per household at age 65 is $70,000 according to the AARP. That's up from $15,400 in 1989. Look at how much it has changed from '89 to 2014. Unbelievable.

Question No. 10: What percentage of workers have obtained investment advice from a professional financial advisor (who was paid through fees or commission)?

a. 13%
b. 23%
c. 33%
d. 43%

This is an interesting question. It's not asking, “Have you sought investment advice?” It's asking have you sought investment advice from people who earn a commission. It’s a commission not based on the growth of your portfolio or giving you the right information, but based on advice they've given you to sell certain products regardless of whether or not it was good for your portfolio. The answer is B. 23 percent of you, when you seek financial advice, are getting it from people who do not necessarily have your best interest in mind. You may be saying right now, "Well, Lee, you don't understand. My guy has a fiduciary duty to me and he's going to give me the best advice." Ask yourself if his advice is somewhat jaded because he can earn a 7 percent commission selling you one product versus a 4 percent commission selling you another product? Now, am I saying that all financial advisors are bad? No. I believe that there are some good ones out there, but you need to understand that you are walking into a den of lions when you take financial advice from someone who is paid a commission.

Helping you achieve your financial goals

The best thing you can do is walk into a financial advisor's office with $500 and say, "Hey, I'm going to give you $500 right now to tell me what you believe is the best investment for me." They will counter with, "Well, how much money do you have? What's your risk profile?" To this, just simply say, "I don't need you to analyse me or my income. For $500 I simply want you to tell me the best strategy for my investment portfolio based on long-term growth and short term gains. What is it?" This is the only way you're going to get competent unjaded, unbiased opinions as to how and where you should invest your money. Now you may ask, "When I do loans through Cogo Capital, do you make money?" Absolutely, I make money. But so do you. Keep in mind that we won't fund a loan if we believe the borrower is going to lose money. Nor will we fund a loan if we believe the lender is at risk. We do exhaustive due diligence to make sure that your money is as safe as we can make it, given our ability to underwrite a file properly.

The Basic and Advanced Methods to Not Outlive Your Money
Basic Measures

No. 1 Basic measure: Work Longer

Living for 30 years or longer without an earned income is almost impossible. That's why people are working into their retirement years. A recent Maryland study documented the forces behind this trend. Obviously, number one is increased life expectancy. Secondly, the elimination of pensions for most workers. The old days of big corporate America providing you with a pension plan and offering to pay you until you die, and then pay your spouse or your heirs are gone.

Most companies have transitioned into 401K program where they will match the savings of an employee, but they will not guarantee a pension until the person dies. We still see this in the government sector. My mother worked a public elementary school for 20 years and she has a nice pension. But I believe those days are quickly fading. Most government agencies will transition to a 401K match program simply because it eliminates what I call "tail," or an ongoing obligation based on an event that occurred today.

I don't want to hire and pay you today and then be responsible to pay you for the next 50 years whether you work for me or not. I'll pay you and I'll match contributions to your 401k for the duration of your employment, but I'm not going to guarantee to pay you into the future. These pension programs are partly why we saw a lot of companies go bankrupt in the recessionary period. It literally bankrupted their pensioners. We just recently saw in the news that the City of Detroit bankrupted their pensioners. Which is unfortunate. Can you imagine spending 30 or 40 years working, only to have your retirement disappear? Wow. But if you are still working, you have control of your financial future.

Thirdly, new retirees are re-envisioning later life. They are looking for greater engagement and fulfilment in retirement. Later on, I'll show you how you can do this and make more money with less effort. Many retirees actually **<u>WANT</u>** to re-enter the job market. Unfortunately, employers don't always see age as an asset. The Bible is clear that age is a sign of maturity, wisdom, and knowledge, but unfortunately many employers don't see it that way.

And fourthly, economic uncertainty is causing people to work longer.

Because these challenges are very real and many people at retirement age are experiencing them, you need to do something different. You should think about starting your own company, maybe buy real estate. These are areas where age doesn't matter, and age doesn't discriminate. You have as much opportunity to engage in these areas as anyone else.

No. 2 Basic Measure: Retire on Social Security

Retiring on social security alone is a risky retirement plan, but lots of people try to do it anyway. A recent report from the Social Security Administration said that 23 percent of elderly married couples and 46 percent of elderly single people count on social security for 90 percent or more of their income. Wow. As you can see, there's no way social security can go away. If it did, it would put a significant strain on welfare. I do believe, though, that it's going to have to get funding from somewhere and that's going to come from increased taxation.

A couple retiring with $25,000 in final income can expect to receive total social security annual benefit of $19,311, which is 77 percent of what they earned during their last year employment. That will put them at about $3,800 above the rock bottom federal poverty level of $15,510 for a 2 person household. If they retire with a household income of $50,000, close to the U.S. average, social security says that they can expect a joint benefit of $30,438, which is 61 percent of their final income. Boy, I sure hope they don't get a divorce! We're seeing increasingly staggering statistics that unhappy couples choose to stay together because they can't afford to get a divorce.

If they retire with a household income of $100,000, they can expect social security to replace 44 percent of their final income or $44,000. For high earners with a final household income of $250,000 or more, the total benefit is only slightly more because of the $113,700 cap on social security payroll taxes. Big earners max out at a total annual benefit of $45,608, which is just 18 percent of their final salaries. So the more money you make, and the more money you pump into the Social Security Administration, the less you actually get out of it. "So, Lee, you mean to tell me that if I work my tail off and make a lot of money, they're going to tax me at higher percentages, and give more of my income to those who made less?"

"Yes. That's correct."

"Lee, that sucks."

Nobody's arguing that with you. But what are you doing about it? You can go lobby Congress, write nasty letters, and you can wake up every morning with a horrible attitude because the government policies suck. All you can really do is figure out ways not to be poor. That's the bottom line. It's about taking action. It's about taking responsibility. It's about learning how to earn as much as you can and pay as little in taxes as you can.

No. 3 Basic Measure: Live Off a 401k

New data from Fidelity Investments, the nation's leading 401K provider, show an impressive 92 percent gain in the average 401K account balance since the economic downturn in 2009. By the end of the first quarter of this year, the average 401K was worth 886, up from 462 on average five years ago. Meaning, there has been a significant increase of $41,800.

Fifty percent of that is due to account balance growth and market growth, and 50 percent is due to employee and employer contributions. This is great news, but many workers are not putting money into their employer's retirement plans. Fidelity found that almost one third of workers who have access to a 401K plan are not contributing. Those who do are offered a matching contribution from their employer, but may not take advantage of it. Of those that do, Fidelity found that, on average, workers save about 8 percent of their salary in a 401K. Most financial planners recommend that you save between 10 and 15 percent. If you're following Biblical principles as it relates to savings, you will save 10 percent, tithe 10 percent and then we have 80 percent left for bills, spending and everything else. If you simply follow that plan, I think that you will see a significant increase. It may be painful at first, but it will get better and easier as you go along.

Advanced Measures

No. 4 Advanced Measure: Invest in Real Estate

Why is real estate a retirement winner? That's easy… rents always go up. The value of your rental property is always going to go up, while your fixed mortgage rate stays the same. You've heard the adage—a rising tide lifts all boats. In an inflationary period, inflation increases the value of real estate everywhere, across the board. It does not discriminate based on location. We may see slower appreciation in certain markets, but inflation will always increase both the price of real estate as well as the monthly cost of rents. So you better have some real estate in your portfolio.

Another big plus of income-producing

property is the Internal Revenue Service will let you depreciate the building portion of your property, minus the land, for 27 1/2 years, meaning much of your cash flow will be tax deferred. When you've exhausted the 27 1/2 year depreciation on the asset, you can sell it, do a 1031 Exchange, and transfer the value into a larger asset where you will earn more income and be able to depreciate that asset.

So you just keep it rolling. This always begs the questions, "If I keep it rolling, then my estate is going to bear the brunt of the tax." Good. The worst thing you can do is leave a whole lot of money to kids that won't have a clue what to do with it. So, unless you are bringing your kids alongside you while build your investment portfolio, it would be crazy to think that they would have the knowledge to manage those assets after you're gone. You shouldn't give people large sums of money without the skills to manage it.

This reminds me of the Biblical parable of the talents. One person is given a small amount of money, or "talents." Another is given a bit more, and another is given a much larger amount. The one who was given the smallest amount went out and buried it. The other two invested theirs and made a return. When the Master came back, he said, "What did you do with the talents I gave you?"
The one who said, "I buried them," made nothing.

That's today's equivalent of putting money in a savings account or a CD. You're not taking any risks and not investing it wisely to make sure that it grows at a rate greater than inflation.

The one who was given a little more said, "I put it in an interest-bearing account so it didn't grow much, but it grew a little."

Then the one who was given the most said, "Hey, I invested it and I doubled the amounts." And to that one the Master said, "Congratulations. I will give you more."

It's really about proving yourself to be a competent manager of money. Some would argue, "Well, Lee, I can't learn to be a competent money manager because I don't have any money to manage." You do. When you get a hundred dollars, do you peel off $10, put it in the tithing or offering plate? Do you peel off $10, put it in savings? You should start managing money properly right now. You can't wait until you have millions because, if you don't start now, you will never see those millions. This reminds me of a story about a couple who goes to a nice restaurant and while they're having their meal, a young server with long, flowing hair comes to the table. He has on leather pants, with a chain hanging from his pocket. The gentleman who is dining engages him in a conversation saying, "Young man, you look like you're in a rock band." And the server replies, "Yeah, dude, I'm totally in a rock band and we were awesome. I shred. I'm cool."

The gentleman says, "That's really impressive. Tell me, where are you playing?"

The young man says, "What do you mean where am I playing? I'm not playing anywhere because I refuse to pick up my guitar and play until somebody gives me an arena stage."

The man says, "How do you expect to be given an arena stage when you're not even playing in a small bar somewhere?"

Moral of the story here—if you're making minimum wage or you're on social security or unemployment benefits, you do have an income. Are you managing it properly? Because if you are not faithful with little, you will not be faithful with much. You have to be a responsible manager of money regardless of the amount. Manage what little you have in the same capacity and in the same manner that you would manage much. And transfer that knowledge and skill down to your heirs—your kids and grandkids. They need to be taught and trained. Do not wait; do it now.

Many investing experts recommend having at least a portion of your stock portfolio in real estate because historically it has not been strongly correlated to stock market movements. When stocks are up; real estate has been up and when stocks are down real estate has been up.

One study reported that stocks and REITs—Real Estate Investment Trusts—move in tandem only about 7.1 percent of the time. Many REITs are now actually part of mutual funds and other management markets that you can invest in through Fidelity accounts and other custodial firms. REITs are basically large conglomerates that buy income-producing real estate, usually based on a type of cap algorithm. They give investors a 2 or 3 percent return on their money and they'll invest in properties that are turning a 6 or 7 cap, which is a low, low return. But they're typically A-plus properties with

A-grade tenants where income is consistent.

Here is the downside of REITs. In my opinion, you don't have any control and that's my biggest beef with the stock market as a whole. You may go into your Fidelity account, sell or buy and feel like you're in control. But you have no bearing on what those companies do. You have no bearing on whether BP Oil explodes a pipeline and then has to spend $40 billion fixing New Orleans. You don't have any control over that.

But when you own real estate in your backyard and you pass them every Sunday on your way to church, you can know your tenants and collect the rents. You have control.

Unfortunately, many of you—even if you do have a sizable portfolio—have relatively little control over how effective it is. So, if you don't have some real property or some private equity notes you should get some. It takes knowledge, skill, intuition, and guts to invest in real estate and we can help you with that.

No. 5 Advanced Measure: Live Off of Interest

At current interest rates, you'd need a hefty amount plus a decent guaranteed income to generate a respectable pay check. A million dollars in a balanced fund or a balanced portfolio with a 3% annual pay-out ($30,000) plus a Social Security benefit of $2,000 a month (for one person) gives you $54,000 annually. If you're married and you and your spouse each get $2,000 a month in Social Security, you'd have an annual income of $78,000.

Some of you may think, "Gee, 78 grand would be great." After you pay taxes, housing and everything else, you won't have much left. You need to have a better portfolio strategy.

To continue the lifestyle that allowed you to save that million bucks, you will need to get a greater return on your million. It's really about investing in things that are going to give you a higher yield or return. Now, if we go from 1 million to 3 or 4 million, we go from $30,000 a year to $40,000 annual return. If we go from 4 million to 10 million, we go from $40,000 a year to $100,000 a year. One of the reasons that I'm a big proponent of trust deed investing is that it's secured against real property. So there is a layer of protection from the value of the asset in the event a borrower defaults. Furthermore, you're typically seeing yields of 8, 9, 10, 11, and 12 percent. And if you take the rule of 7, which is divide the amount you're earning by 7, that will tell you how long it will take you to double your return on investment. Investing in private and first and second mortgage loans can consistently earn between 8 and 18 percent depending on the time frame, the purpose of the loan, the LTV ratios, the exit strategies, the quality of the borrower's personal guarantees and other factors. Borrowers are willing to pay higher premiums in exchange for flexibility and speed of private money mortgage loans.

That trend will not change. I started lending in 2002, and even in the recessionary downturns there was a high demand for private money. In fact, as the market tanked the demand increased. So, there was a huge demand in 2009 - 2011. Even now, the demand has not changed, but there is a lot more competition in the marketplace now. So it becomes about speed, ability to deploy quickly, underwriting properly, working with the right borrowers, and getting repeat business. Going through some statistical analysis, we have found that over 78 percent of the people who lend through us, lend again and again and again. Where else are you going to get that rate of return?

If you take the same $1 million and invest it in a private money note that's paying 10 percent annually, you're making $100,000. That does not include your social security and everything else. So now you're up in the $140,000 to $150,000 a year range, living off interest big-time.

So the question is: Do you want $100,000 on your million or do you want $30,000 on your million?

No. 6 Advanced Measure: Retire With Multiple Streams of Income at Any Given Time

Now, we have a job, we have social security, a 401K, we're invested in real estate, and we're lending private money on first trust deeds. We have tapped into multiple streams of income at this point and we're now living the good life as it should be in retirement… but how do we do this.

We teach you how at our Funding Tours. I don't care where you live or where you're sitting in your financial situation, if anything that I said here has affected you and made you think, "You know, he's right. I have to do something." Or you've said, "Wait a minute. Where is he getting those returns? I'm not getting that kind of return. What's he doing that I'm not?" you need to come to one of our Funding Tours. Go to www.fundingtour.com or call 800-341-9918 to see when the next one is.

Helping you achieve your financial goals

We teach these very principles on how to develop a rock solid complete system to build a real estate investment portfolio utilizing private money. I don't care how much or how little you've got, I can show you how to double it, triple it and quadruple it. I will also show you how to get to retirement with a principle nest-egg large enough for you to live off of the interest.

I will to teach you how to fish for the right deals, show you when to flip them, when to hold them, and when to assign them. I will teach you how to bid on auction investment properties, how to read a title, the market trends, comparables, and how to understand the marketplace appetite. By the end of the Funding Tour, you'll know exactly what types of properties you should pursue.

I will also bust the common myths. Just because a property can be purchased for 20 cents on the dollar, doesn't mean you should buy it. There are other economic factors that you need to look at. Where is the property? Who's the target demographic for the property? Will it qualify for FHA financing, which is extremely important when 86 percent of your end-user buyers are trying to get conventional loans? Can you easily fix the property to the point it will qualify for FHA financing? If you can't, I don't care what the price is, don't buy it. Because with private money, eventually you have to pay your investors back and it's usually sooner than later. You're either going to do that by selling it to an end-user buyer, who will probably use conventional financing—so the property must qualify, or you're going to need to pay off your hard money lender, either through cash or by the sale of other assets.

I've met some pretty successful real estate investors who have no idea how or why they're successful, or what they're doing that's working. Don't be confused. Just because you have money in your pocket, doesn't mean you're doing it the right way. The most arrogant thing you can say is, "I already know everything." I will tell you this, the minute you say something like that, life is going to teach you some very hard lessons. You don't know everything. Admittedly, I came into 2008 pretty arrogant and cocky. I thought I was Mr. King Bang and I couldn't make any mistakes. I knew EVERYTHING. Then the market handed me a big lesson in 2008-2009 and it taught me a lot. I invest much differently now.

When I'm interviewing a new investor, one of my questions is, "What's the most money you ever made?" Often they say, "Well, I made $150 grand in 2005." I look at them and say, "Who didn't? That was the easiest time to make money, ever."

I then ask this follow up question, "How much did you make in 2009?" That's going to tell me a lot more about their tenacity. "Did you get killed in 2009? Did you roll over and quit? I can almost guarantee you made significantly less in 2009 than in 2005. But did you need to?"

I will share more if these insights with you at the upcoming training. I also teach you how to access an endless supply of capital. If your only reason or excuse for not engaging in the real estate market is because you don't have any money, or you have bad credit, or you don't know how. I will show you that there is so much money out there waiting to be invested, it will make your eyeballs spin. You just don't know how to access it. If you don't have people throwing buckets of money at you, it's because you don't know what you're doing in the marketplace. I will teach you at the upcoming Funding Tour in October.

I'll show you where to find motivated buyers and motivated sellers. The No. 1 rule of timing a good real estate deal is finding someone who needs to sell. I'll show you what lists to pull, what letters to send, and how to communicate with these folks so that your time is spent with the most motivated sellers of the best investments.

Now let me say this before I continue. I don't care what you've done in life so far. I don't care how much money you have or how much money you've made. I don't care how much money you've lost. Here's what I do care about… how much money you'll make from here on out. I guarantee when you come to this training, you're going to learn things that you never knew. And the things I'm going to teach you are the very things that are going to literally set your wealth on fire in a good way, and take it to the next level. We're going to teach you to think of money the same way private equity firms and hedge funds do.

Here are what few past attendees said about the event:

Faye Dawkins said, "It should be the last workshop you attend. This is the consummate workshop to elevate your business. The VIP dinner is permanently etched in my mind. I like the hedge fund round table because it enabled us to play the part of the lender."

If you want to learn how you can be the bank, you'll be able to join us for the hedge fund round table. You become the bank and invest a million dollars in deals that pull upwards of 12 to 15 percent annualized returns. At the round table, we literally put you in the driver's seat to make million dollar decisions on the deployment of other people's capital. It's a great mock session that you will not forget.

Leticia Martinez says this: "This seminar is like no other. This company truly wants us to succeed. This will be the last seminar you need. I am glad I came. This was a great event. Everyone is like family. Having church on Sunday was special."

If you have never been to a Lee Arnold System of Real Estate training event, we hold church every Sunday, so you don't need to worry about missing church. We hold church at our events because I believe that a successful business is one whose foundation is built on this principle: God first, family second, career third. If you don't believe that, that's fine. I'm not trying to cram religion down your throat. But know this, if you come to our events, we talk about God. We say the Pledge of Allegiance, we pray, and that's how I run my business. If you respect that, great, let's come together and make amazing things happen.

Helping you achieve your financial goals

Paul said, "I'm more able to analyse the financial aspects of prospective transactions. I now have more access to funds as needed. I can now expand my lender pool having more opportunities to offer them." Paul came to us as an existing lender and one of our competitors. I invited him and encouraged him to come. In the private money world, even though it's competitive in nature, it also requires us to cooperate together. You often have more money than demand or you have more demand than you have money. I believe that there is so much money to be made, that if you're having success in making money doing the same thing I'm doing, kudos to you. And if I have more deals than I have funding, I'll outsource. I'll go to Paul and say, "Paul, why don't we joint venture on this deal. Let's get it funded." And Paul will come to me and say, "Lee, I have all these borrowers, I don't have enough money. Can you fund them?"

I am an abundance mentality guy. So if you're already in the private money space and we are friends, then let's come together and make more money. Do a loan with us, learn our systems and utilize what you can from us. Why? Because the private money business is not going anywhere. Our goal as a company is to be deploying a billion dollars a year in private money. The private money space is a $400 billion a year industry. Meaning, if I'm playing at a billion, I'm only 1/400th of the total available market share.

It's a big ocean and there's plenty of opportunity. We don't all need to be fighting over the same guppy. There's plenty to be had. And I will teach you to get your share!

Marjorie Duncan says, "Real world value that no one else is teaching. I could not have envisioned the value brought before. It surpassed my expectations by a mile. No words to thank you enough." No other course offers this type of hands-on financial exercise, which is why we have groups from all over the country calling to ask if they can endorse our program for their clients. One of the most respected private money institutions in the nation is now coming to us for our curriculum. They want their members to have access to what we are teaching.

We hired a director of education with a master's degree in math. It was important for us to have him in-house to put together our curriculum, so that you will be better prepared for what is coming down the pike, which is banks continuing to lend less and private money becoming the norm.

My Level of Confidence:

I can speak to just how confident I am in this—even if you think I'm full of crap and that everything I'm saying is hogwash. Come to the event. If you don't learn something new the first day, tell me and I'll give you a full refund and even pay up to $500 of your travel expenses. Simply show me the receipts for your airplane ticket or the fuel in your car, and I'll take care of up to $500.

Do not say, "No, I can't be there." Poor people say, "I can't." Rich people say, "How can I?" Take three days off from work, bear the cost and the expense of travel, and get yourself to a Funding Tour. If you don't, you could become one of the statistics that we've been talking about today—all the people who don't have enough money saved for retirement and all the people who have to rely on the government. You must do something.

So I'm not asking you, I'm telling you—go to www.fundingtour.com and grab a spot today for our next Funding Tour. And don't forget my promise that if it's not everything that I said it was going to be by the end of day one, come talk to me personally, not to one of my staff, but me and say, "You know, Lee, this really has not been a good use of my time, I want my money back and I want the $500 that you offered for my travel-related expenses." That's how confident I am that this will be the last training you will ever need and the most important training you will ever attend.

I look forward to shaking hands with you and sitting down and chatting with you to see how we can better help you succeed.

Until then, God bless you.

The Circle of Wealth

After years of teaching and mentoring around the nation, I found that education doesn't mean a lick, if the person being taught doesn't have the capital to put their knowledge into genuine action.

So, I took the challenge and created a place, Private Money Exchange, where real estate investors could go for unlimited funds for their non-owner occupied investments.

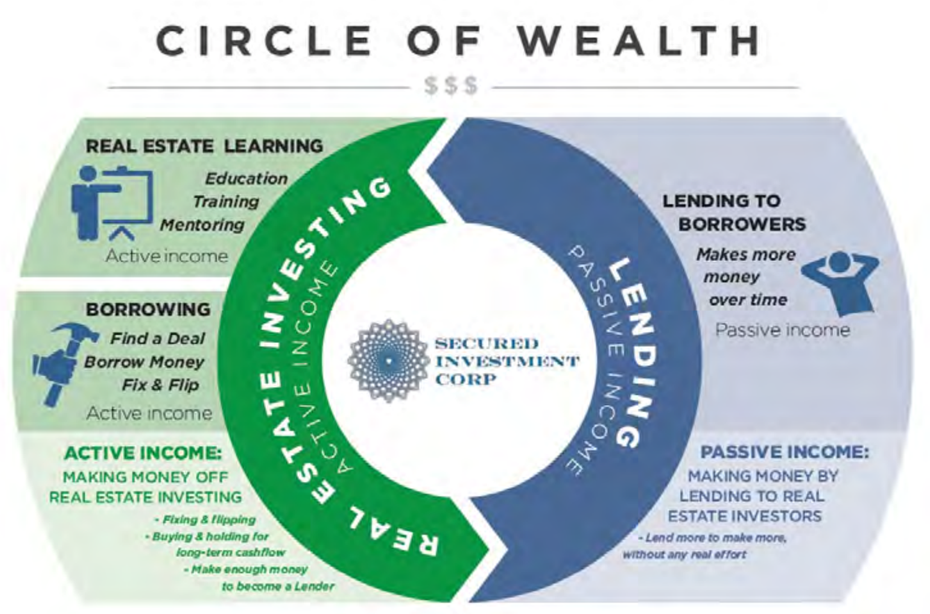
While the progression seemed natural, we were missing one, very large and essential piece of the pie. The marketplace was teeming with people who had the funds, who aspired to make higher returns on their invested dollar, but lacked the desire to get involved in real estate at the ground level.

In light of this opportunity, we created Secured Investment Corp, which gave people a medium to lend on first trust deeds (real estate), and make higher returns than they were currently seeing in their stock market, bank CDs, or bond investments.

As we combined all these facets—training, funding, and the means to lend on real property—we began to notice a progressing trend of growth and success with the clients involved.

Through this model, what we call "The Circle of Wealth," we also noticed that people who entered in at the training level and borrowed funds for their real estate investments, eventually became lenders in their own right. They then helped others obtain the capital needed to grow their real estate portfolios.

This allowed everyone, on every side, to win!



It is our goal that everyone can enjoy some level of success in The Circle of Wealth, and inevitably lap it several times over!

We hope you're one of them!

Who Is Lee Arnold?

Like most self-made millionaires, I began at the bottom of the financial food-chain. My humble beginnings started as a bag boy at a local grocery chain in Spokane, Washington working for $3.90 per hour. My first “aha moment” happened while I was aspiring to a management role at the store and was reading the life-changing book, “Rich Dad, Poor Dad” by Robert Kiyosaki. Suddenly my management aspirations looked very small, but my future possibilities became extremely big.

My second “aha moment” happened while I was sitting in a philosophy 101 course in college. My attention span was divided between the slow ticking of the clock and my professor’s long winded discussion on the economy. While the minutes ticked by, he let it slip that he was making only $45k a year. That information and the knowledge I gained from Kiyosaki’s book, made me realize I was on the wrong path to success and needed to make some very important changes fast. So, from those experiences and an influential nudge from an incredibly persuasive late-night infomercial, I went into real estate.

I began the way many people do—in the educational and training space. Like many, I went to real estate seminar after seminar and bought course after course. Through long years of trial and error, I built up a very profitable, million-dollar real estate business from the ground up. I’m proof-positive that the training system can and does work! Because of this, I decided to help others by teaching them how to translate workbook education and real estate theory into the real world of real estate investment.

SMARTER INVESTING: Experience & Discipline

It is because of investors like you, that we are able to promote ***The Circle of Wealth*** and help individuals, of any background, familial, or income status to receive the training, the funding, and the return on their invested capital that they need to be truly successful. It is our goal to make those who aren’t, “Millionaires,” and for those who are, “Philanthropists.” We are grateful to provide a platform where investors not only earn the returns they seek, but also finish each day with the intense satisfaction that their investment allows someone else’s dream to be manifested.

THE Lee Arnold SYSTEM OF REAL ESTATE INVESTING

Corporate Office
1121 E. Mullan Ave.
Coeur d’Alene, ID 83814
800-341-9918