THE SOVEREIGN SOCIETY

7 Secrets to Doubling Your Retirement Gains Before You Buy a Single Stock

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By Ted Bauman, Editor, *The Bauman Letter*

AT first glance, investing might seem to have little to do with sports, especially a bruising game like football. But bear with us for a moment while we ponder the outcome of Super Bowl 50 at the end of the 2015 to 2016 season…

One team, the Carolina Panthers, was led by young Heisman-Trophy winning quarterback Cam Newton. It's no surprise the Panthers had the top-ranked offense in the league when it comes to total points scored per game.

On the other side of the field were the Denver Broncos, led by aging veteran quarterback Peyton Manning and a team with so-so offensive figures for the season. During the big game, it showed. In four quarters of football, the Broncos were unable to score a single touchdown pass, with fewer yards gained in passing and rushing than the Panthers.

Yet the Broncos proceeded to soundly defeat their opponent, 24 to 10. How?

Ultimately, it was all about playing great *defense*.

It was the Bronco's defensive squad that scored the team's first actual touchdown, on a fumble, and blunted nearly every effort by their opponents to move the ball down the field.

What's the point? When it comes to investing, you should be investing in a strong defense, too.

We're not talking about picking stocks that go up while others go down, or trying to time when to put money into the stock market. We're talking about "blocking and tackling" fundamentals that, when put together, create a powerful machine that doubles your retirement before you put a single penny into the stock market.

Sound impossible? It's not. It's your blueprint for strong-defense retirement investing, and it's what we're going to talk about in the coming pages of this report.

The single most important goal, the philosophy behind every serious retirement investor, is to set up a situation where your investments grow regardless of what is going on in the stock market.

Now, you might say, "Yeah, that's great." Who wouldn't want to have investments that grow like that?

You don't need to go completely passive and buy just index funds (although there is an argument for that approach). And yes, you can still look for and hold "star" investments in your portfolio — the "statistical outliers" that you believe are destined to post big gains.

But the way to absolutely ensure your retirement accounts will literally double — then double again — is through a concept we call "compounding."

When you put $1,000 at risk in an investment, the expectation is that in a handful of years it will become $2,000. Otherwise, why invest? Over time, those accumulated profits should grow even further, or roll over into other investments that will also increase in value.

That's compounding — a big word for the activity of accumulating profits and dividends from your investing activities over the course of time. But for compounding to truly work its magic in your portfolio, you have to make sure much of those potential gains aren't frittered away by having a lousy fundamental defense.

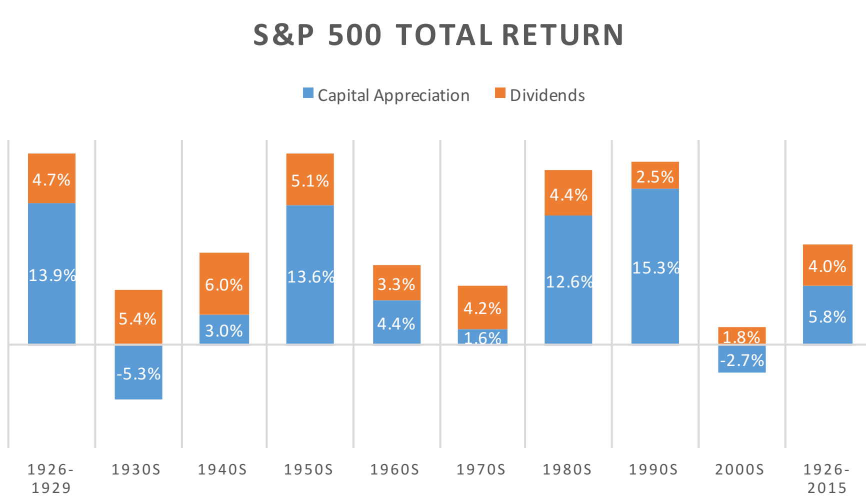
As a result of the compounding effect — and the fundamental defensive strategies we'll tell you about in a moment — your portfolio can see markedly higher performance over time.

Understanding the Power of Total Return

Stock market appreciation — buying a stock at $20 and watching it go higher over time — is the lion's share of those gains, maybe half or more. But dividends — the excess cash that well-run companies often send back to you, the shareholder, which you then re-invest back into the stock — usually accounts for at least 40% of what's called "total return."

The world's first billionaire, John D. Rockefeller, the founder of Standard Oil and a man worth 10 times more than Warren Buffett and Bill Gates in today's dollars, had a simple secret for making money: reinvested dividends. He once said: "Do you know the only thing that gives me pleasure? It's to see my dividends coming in."

Dividends are quarterly cash payments you get from companies you hold in your investing portfolio. They are a very big deal, particularly if you reinvest them steadily over time, because they provide a huge boost to your compounding, allowing you to ultimately be a big winner in the game of investing.



Dividend payments over long periods are a solid contributor to total stock return and even more so if those dividends are reinvested steadily.

SOURCE: J.P. Morgan

So here are the three pillars of your strong-defense, retirement investing plan: reinvest free cash (from dividends), patience (so you can allow time for the power of compounding to build the profits in your portfolio) and what we're going to talk about next … a powerful defense.

Let's break that "defense" down into practical moves anyone can put into place. We're going to tell you five secrets to doubling your retirement gains — yes, *doubling* them — before you invest a single penny.

Retirement Defense Step No. 1:
Follow the "Under 1! Strategy" With Your Mutual Funds

Your retirement portfolio has a leak in it. Actually, many leaks. They are all small, seem like no big deal, and many people don't even realize the leaks are even there. Yet, over time, these "money leaks" will sink your plan as surely as an iceberg ramming the Titanic.

It takes some sleuthing to find these pinhole problems, but anyone can do it.

Let's start with mutual funds: Many people may not realize it, but there's a fee called an "expense ratio" attached to their mutual funds. If you have $10,000 in the fund, and its charging you an expense ratio of 1%, that's $100 a year! If you invest $100,000, the fee is $1,000 a year and so on.

You will never see a bill for that fee — which is what mutual funds charge so they can keep the lights on, pay the rent, along with their managers, analysts and secretaries — but that cash gets taken out of your portfolio like clockwork every 12 months.

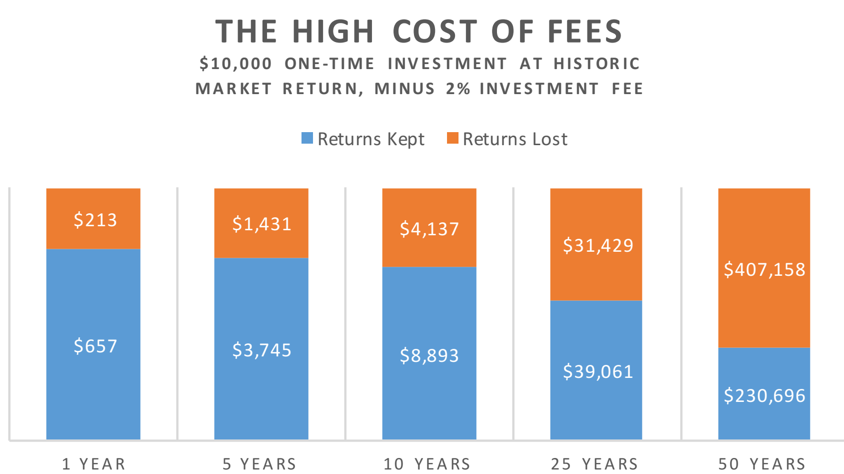
It can amount to a lot, when you consider that in 2014, the average mutual fund charged an expense ratio of 1.25%, and some as much as 2%!

So what's the solution? Follow what we call the "Under 1% Strategy." Only buy mutual funds with an expense ratio under one percent. The smaller that expense ratio is, the more money that winds up in your pocket when you retire years from now.

So it's important to remember that when you build a portfolio using mutual funds, the costs of each fund are not the same. A blue-chip U.S. stock fund is likely to cost you about 1% per year, while small-cap stock funds and international stock funds will cost more, probably north of 1.5% for each fund. A bond fund should be cheaper but sometimes they aren't, especially as bond managers have had to do trickier things to make bond investing pay in a time of artificially low interest rates.

As a result, some big bond funds are edging up in cost toward the 1% mark, too.

Let's assume that your cost of investing in mutual funds is running around 2% per year. What does that



The drag of invesment management fees looms ever larger as a percentage of returns kept by the investor, hitting nearly 64% of the total earned by the investment over 50 years of saving.

SOURCE: Vanguard Group

mean? It means that the fund managers are sucking up 2% of the total value of your portfolio each and every year, regardless of their performance. Over just 10 years, that's 20% of your portfolio's potential gains!

Over time, fees hurt — a lot. Consider this: Over 25 years' time, a $10,000 investment in U.S. stock mutual funds — growing at a conservative historical pace of around 8% or so, through ups and downs of prosperity and recessions — will turn into about $70,490.

But presuming you were paying a total expense ratio of 2% for your mutual funds means the managers of those funds will keep an astounding $31,429 of those gains!

In other words, the investor runs all of the risk — but gets to keep just over half the potential gains, or $39,061. Nice work if you can get it.

The effect of the money drain from fees is epic. It's the reason so many retirement savers watch their portfolio stagnate year after year and worry as mutual funds charge their fees, while their account holders must continually delay their retirements because they haven't gained enough in value.

• **Steps to Take:** Review your portfolio's mutual funds and look up their fees on the FINRA Fund Analyzer site (www.finra.org/fundanalyzer). Put the fund tickers and expense ratios on a spreadsheet, along with the amount of dollars you have invested in each. Remember, the fee is based on your assets in that fund, *not performanc*e. If you have $10,000 in a fund charging 2%, your fee is $200 per year just to hold that investment.

Retirement Defense Step No. 2:
Consider Index Funds and ETFs Over Active Funds

What's the answer? If you are a confident active investor, just buy your stocks directly via a low-cost discount broker, such as Scottrade at $7 a trade or TradeKing at $4.95. You can build your own portfolio one stock at a time and keep trading costs minimized by rebalancing only once or twice a year.

If you want broad diversification, however, then the way to go is either to use index funds or exchange-traded funds (ETFs). Index funds have very, very low management fees, trending to virtually zero.

Seriously, the comparison is hardly worth making in some cases. The Vanguard Total World Stock Index (VTWSX) has an expense ratio of 0.27%, compared to 0.96% for the actively managed Fidelity Worldwide Fund (FWWFX). Each holds virtually the same classifications of stocks, yet one is nearly three-times cheaper!

According to FINRA's fund analyzer, if the two funds start with $100,000 and return the same 9% per year for 20 years, the total fees in the Vanguard fund would come to $13,940, while the fees in the Fidelity version would be $45,450. Quite a difference — a difference that goes (or comes out of) your pocket over time!

You would only pay the extra fees (which add up to a whopping $31,510) if you thought that active management was going to give you a better return. That sometimes happens, but not consistently enough to matter to the long-term retirement investor.

In fact, the better mutual funds often close to new investors once they make a name for themselves. Eight out of 10 actively managed funds simply can't beat their own indexes, resulting in a huge opportunity cost for the retirement investor.

The downside of index funds is that they can be expensive to buy and sell. If you own only Fidelity funds as a Fidelity Investments client (or only Schwab funds at Schwab, etc.), you often pay nothing to buy and sell index funds. But if you mix and match index funds on a third-party brokerage site, however, the fees can be fairly steep, amounting easily to $50 a trade.

But you do have a cheaper (and lesser-known) alternative…

Not everyone realizes it, but many popular index-based mutual funds also have an ETF (short for exchange-traded fund) versions of the same thing. These ETFs trade just like stocks on the public stock exchanges.

For instance, let's take the Vanguard Total World Stock Index fund. The mutual-fund version, which you might invest in through Vanguard, or through a third-party brokerage, has a symbol of VTWSX. It has an expense ratio of 0.17%.

But Vanguard also created an ETF of this same popular fund. It has the same cheap 0.17% expense ratio, but because it's an ETF and trades like a stock, you're likely to avoid having to pay the high transaction fees that would come with buying the mutual fund itself.

Broadly speaking, the management fees on ETFs are lower than most index funds, trending toward zero in some cases. The cheapest stock-oriented ETFs on the market right now are the Schwab U.S. Broad Market ETF (SCHB) and the Schwab U.S. Large-Cap ETF (SCHX), both at an expense ratio of just 0.04%.

Yes, that's four one-hundredths of 1%.

Symbol	Name	Expense Ratio	Category
TFLO	Treasury Floating Rate Bond ETF	0.00%	Government Bonds
CIBR	NASDAQ CEA Cybersecurity ETF	0.00%	Technology Equities
SCHB	Schwab U.S. Broad Market ETF	0.04%	All Cap Equities
SCHX	Schwab U.S. Large-Cap ETF	0.04%	Large Cap Blend Equities
VTI	Total Stock Market ETF	0.05%	All Cap Equities
VOO	S&P 500 ETF	0.05%	Large Cap Blend Equities
SCHZ	Schwab U.S. Aggregate Bond ETF	0.05%	Total Bond Market
IVV	Core S&P 500 ETF	0.07%	Large Cap Blend Equities
SCHG	Schwab U.S. Large-Cap Growth ETF	0.07%	Large Cap Growth Equities
SCHV	Schwab U.S. Large-Cap Value ETF	0.07%	Large Cap Value Equities
SCHP	Schwab U.S. TIPS ETF	0.07%	Inflation-Protected Bonds
SCHH	Schwab U.S. REIT ETF	0.07%	Real Estate
SCHM	Schwab U.S. Mid-Cap ETF	0.07%	Mid Cap Blend Equities
SCHD	Schwab US Dividend Equity ETF	0.07%	All Cap Equities
ITOT	Core S&P Total U.S. Stock Market ETF	0.07%	All Cap Equities
BND	Total Bond Market ETF	0.08%	Total Bond Market
AGG	Core Total U.S. Bond Market ETF	0.08%	Total Bond Market
SCHA	Schwab U.S. Small-Cap ETF	0.08%	Small Cap Blend Equities
SCHF	Schwab International Equity ETF	0.08%	Foreign Large Cap Equities
SCHO	Schwab Short-Term U.S. Treasury ETF	0.08%	Government Bonds

SOURCE: ETF Database

If you plan to use ETFs, then TD Ameritrade, Fidelity and Schwab have loads of commission-free ETFs, meaning they cost you nothing (zero) to trade. Nor do you have to wait for end-of-day pricing to buy or sell. Since they are ETFs, you can trade them all day, every day if you like.

You wouldn't trade them a lot in a retirement account, of course. But rebalancing is important, and commission-free ETFs drive the transactional cost of rebalancing down to almost nothing. Every penny compounding on your side of the ledger counts!

• **Steps to Take:** Take your spreadsheet of expensive mutual-funds tickers and plug them one by one into the Mutual Fund to ETF Converter at ETF Database (www.etfdb.com). Or just scroll down the list of the 300 most popular active mutual funds and click on the "ETF Alternatives" column for choices. The Dodge & Cox Stock Funds (DODGX), for instance, charge 0.52% while the SPDR S&P 500 ETF (SPY) costs just 0.09% — more than five times less.

Retirement Defense Step No. 3:
Destroy Conflicted Advice With Two Simple Words

You might say: "Well, I know my investment adviser. He helped my mom and dad with their money, and I see him at our son's soccer games every weekend. He would never take advantage of me, in the way of putting me into higher-fee investment products."

Yes, he would, and yes, he does. Pull out a statement from the last quarter and look up the funds your adviser has bought in your name.

Chances are, you'll find your retirement plan is loaded with mediocre, high-fee stock and bond funds.

Why would he or she do that? Because the adviser is conflicted from the start. Your financial adviser or stockbroker is paid a number of ways, some of which you almost certainly don't know about.

First, the adviser collects a fee just for being your adviser, probably 1% of your assets (on top of the 2% charged by your funds). But he also is likely to be paid a commission by those very same funds.

Why? To convince you to buy them. In a crowded mutual-fund market, there is precious little difference in performance between many funds in the same category, all investing in the same asset class, with the same groupings of stocks. So they pay advisers and brokers a commission to promote their fund over that of a competitor's.

You pay that commission, of course, in the form of a lower return. The costs are passed along and drag down long-term returns. Yet your adviser is not required by current law to disclose any of these conflicts.

How do you keep to your retirement goals amid such conflicted advice?

Ignore it. Those are the two simple, courageous words you should keep in mind whenever your advisor makes a pitch to you on a hot new mutual fund he wants to put your money into. Makes sure he only puts you into funds that you want, with the lowest fees possible (keep in mind the "Under 1% Strategy"we mentioned in Retirement Defense Step No. 1).

The big problem for many retirement savers is that 401(k)s aren't any better. Instead of conflicted advisers, you get a simple selection of mutual funds, but those funds often are overpriced and you can't easily choose cheaper alternatives.

Add in the overhead costs for the plan's manager and you end up with fees of north of 2% just the same.

Unsure about your 401(k)? Talk to your HR director about your options. It might be the case that you can choose index funds over actively managed funds or buy a target-date fund comprised of index funds.

A target-date fund will be based on your expected date of retirement and handle rebalancing automatically, but it doesn't help if the underlying mutual funds are costly, actively managed products.

Check the bottom-line expense ratio of any target-date fund or fund of funds carefully. Anything under 0.20% is a very competitive option.

• **Steps to Take:** If you simply can't lower your investment costs at work, ask about an "in-service" rollover. You would be taking your money out of the 401(k) and investing it separately in an IRA, but at least you can control costs. If you have an adviser and think he is a straight-up guy, express your concern and ask him to build you a "conflict-free" portfolio of index funds and ETFs. If he balks, something is wrong. Get away quickly.

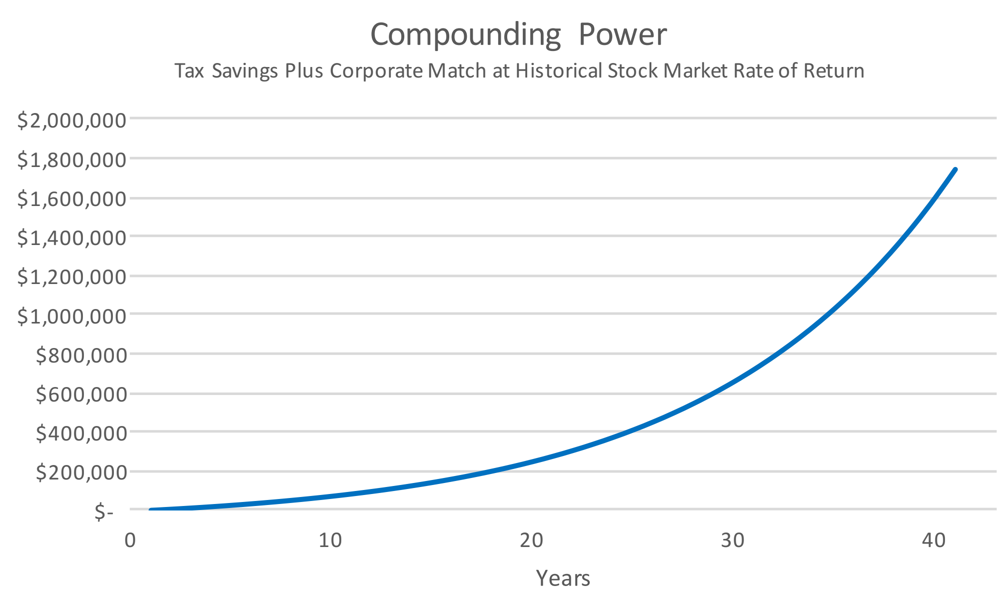
Retirement Defense Step No. 4:
How to Get the Most From Your Company's 401(K) Plan

"It's my money and I want it now!" goes the TV commercial. People like the idea of getting control over their own money, but they don't often think about that when it comes to retirement investing.

One big way to make sure you have more in retirement is to save more, and you can save more by reducing your taxes. In effect, you get to play with the house's money. Every dollar you don't pay in income taxes and save instead is a dollar working for you and compounding.

That means you need a 401(k), even if the funds inside it are not your first choice.

First of all, you can save thousands of dollars per year pre-tax (up to $18,000 in 2016). If you are in the 25% tax bracket, that means a dollar-for-dollar reduction in your taxes of $4,500 per year. The same goes for an individual retirement account (IRA), although the limits are lower.



You don't need to save a lot if you can save early enough and let compounding do the heavy lifting. Putting just $5,580 a year — equal to tax savings in a 401(k) plus a corporate match — and your retirement plan is on track to succeed.

SOURCE: Sovereign Society

Employers often match your 401(k) contributions up to the first 6%, so not using your workplace retirement plan is just leaving money on the table. The tax savings and matching alone comes to $5,580.

It seems like a small amount, but over 40 years compounding at a market return that adds up to just over $1.7 million in your retirement fund! You are taxed only on the withdrawals in retirement at your income tax rate then, which presumably will be much lower.

If you are over 50, you can save even more. The IRS allows "catch-up contributions" in 401(k) and IRA plans that let you set aside an additional $6,000 a year. Again, that's only if you are 50 years of age or older. If you use a health savings account, there's a catch-up there worth an extra $1,000 a year starting at age 55.

If you max out your 401(k), 403(b) or 457 at work — these are all similar plans — you might want to do more. The next step is a Roth IRA, which offers you no tax break now, but withdrawals in retirement are tax-free and all of your gains and dividends in between are tax-free, too.

Here the limits are set by your income, but most people can and should have a Roth, either through work or independently. You can convert old IRA or 401(k) money into a Roth, too, but you will pay the income taxes due on any conversion amounts, so be sure you can afford it or do it in a year when your income is much lower, say, a year you are out of work or decide to retire.

There are still more tax-deferral options to consider. If you are the sole breadwinner in your home, have your spouse open an IRA. You contribute to his or her IRA based on your income up to a limit based on income and your other IRA savings contributions.

Likewise, a health savings account (HSA) is funded with pre-tax money and tax-free if you use the money later for medical purposes.

Finally, if you are self-employed, you can open what's known as a solo or personal 401(k) and put away the normal 401(k) and 25% of your net income, up to $53,000 a year in pre-tax savings.

"Tap and Save" Your 401(k)

Many people have 401(k) plans through their employees, but if you're over 59-1/2 years old, you have one more option to give yourself additional flexible income, still get the matching contribution that many companies make to their workers' plans, and avoid the penalty that usually comes with early withdrawal from a defined-contribution retirement plan. We call it "tap and save"(you may read about it elsewere as "deposit and withdraw."

Let's suppose you have a new expense you need to cover in your monthly spending budget, but you can't quite make ends meet because of your 401(k) contributions each month. Perhaps you'd like to stop making your monthly contributions for awhile to help pay for this new expense, but doing so would mean you'd miss out on your company's matching contribution to your plan.

With "tap and save," that's not a problem. You see, the rules for most plans allow employees over the age of 59-1/2 to withdraw a portion of their 401(k) balances without a penalty (though those withdrawals are still subject to regular tax rates). So what some people do is make their usual 401(k) contribution (which the company then matches), then immediately withdraw some of the money if they need it to meet some unexpected bills.

Keep in mind, you wouldn't want to use "tap and save" for too long of a time, because you're defeating the whole point of having a retirement plan in the first place. But for a short period of time where you may need additional cash, "tap and save" is a little-known way to make ends meet yet still retain the important benefits that go with having a company-sponsored 401(k) plan.

• **Steps to Take:** Review your retirement savings plan options with an eye toward maximizing your annual deferral of income. Open a Roth IRA, even if you have nothing to put in it yet. E*Trade and TD Ameritrade allow customers to open traditional and Roth IRAs with no initial deposit, while Fidelity and Schwab will open your IRA if you commit to automated monthly contributions as low as $100. If you earn a high income, talk to your tax professional about IRS traps like the Medicare tax.

Retirement Defense Step No. 5:
Maximize Dividend Power

How much can you save on your own? Ten percent of your income? Maybe 15% in a pinch? That's why dividends are such a big deal. It's free money cycling back into your retirement plan like clockwork, regardless of what happens to the investments themselves.A typical stock fund likely yields about 2%, the broad dividend yield of the S&P 500. That means that, of those 500 stocks, some number of them are paying a higher dividend and some are paying a lower dividend or no dividend.

It's really important to put all of that income to work on your behalf. You could let the dividend cash pile up, along with any incoming interest payments on bond holdings. But if you don't need the income now, it's much better to reinvest dividends automatically.

If you own an individual stock through a brokerage, this is as easy as checking a box when you first buy the position to signal dividend reinvestment. Exxon Mobil (XOM) for instance, recently paid a dividend of 73 cents per share quarterly. That's $2.92 per year of income for every share you hold.

If you buy 1,000 shares, you earn $2,920 in income per year for doing nothing but holding the stock. Put another way, it's a chance to increase your holdings by a little more than 35 shares for free by reinvesting the cash.

Important: If you reinvest automatically, you get fractions of shares, meaning every penny is poured back into buying stock in your name.

The same thing happens at the fund level, too, if you reinvest income. A modest IRA with $200,000, earning a stock dividend yield of 2%, is putting $4,000 a year back into your pocket at very little risk, year after year.

The most efficient way to reinvest dividends is through the company itself, rather than via your broker. The issuing company takes the dividend and dips into its own share reserves to increase your holding. Thus you avoid commissions and the friction of buying on the secondary market.

Symbol	Company	Dividend Yield
HCP	HCP Inc. REIT	8.10%
HP	Helmerich Payne	5.33%
T	AT&T	5.25%
CVX	Chevron Corp	4.95%
MCY	Mercury General	4.68%
ABBV	AbbVie Inc.	4.20%
ORI	Old Republic International Corp.	4.11%
EMR	Emerson Electric	3.95%
UVV	Universal Corp.	3.82%
NUE	Nucor Corp.	3.78%

SOURCE: ETF Database

On the other hand, if you like the idea of actively managing your portfolio, you can hold a variety of dividend stocks and make purchases as you please. For instance, if Johnson and Johnson (JNJ) pays its quarterly dividend, but you think the price of Altria (MO) is a better deal, you can put the JNJ cash into MO instead (or vice versa).

Finally, there's no reason to accept the broad market dividend rate of around 2%.

AT&T (T), for instance, recently paid 5.25% to its shareholders, while Chevron (CVX) paid 4.95%. Both are members of the "dividend aristocrats" stock list, companies with higher-than-market dividends and a track record of increasing the dividend every year for the past 25 years.

• **Steps to Take:** Set your investment portfolio holdings, whether mutual funds or individual stocks, to reinvest automatically. If you are picking stocks, make sure to consider the sustainability of the dividend payments of stocks you hold for their dividend-paying reputation. Look up "dividend aristocrats" online and build your own dividend-power portfolio.

Retirement Defense Step No. 6:
Turbo-Charge Your Savings with the '1% Rule'

Remember Step #5 and the importance of using your 401k account to maximum advantage? For many people (likely yourself, too) the toughest part is just mustering up the strength to put even more of their hard-earned money into that retirement account.

It's a perfectly reasonable fear to have. Retirement accounts have many advantages — they help you to lower your taxes, and to plan and save for the future. But every dollar saved means less available to live on, right now today.

That's why most people, on average, contribute no more than 6 percent of their pre-tax earnings to their 401k accounts. But with the "1% Rule"you'll have a proven way to help you raise your contribution over time — without feeling like it's a real hardship.

It works with a simple system. If you're contributing 6 percent now, tell your company's 401k administrator you want to raise your contribution to 7 percent (or you can make the adjustment yourself, more than likely, through your company's 401k web portal).

Make a note on your calendar to raise your contribution to 8 percent a year from now, then 9 percent a year after that. You'll keep raising your annual contribution level by just 1% more until you finally max out your contribution limit ($18,000 a year if you're age 49 or less. Add another $6,000 in IRS-approved"catch-up" provisions if you're age 50 or older).

In terms of dollar amounts, the average American contributes only $3000 a year to his or her 401k account. Even if you're contributing more than that — let's say your adding $9000 a year. What's the price of contributing an additional one percent — one or two fewer trips for coffee at Starbucks each week? Or a few less lunches at your favorite eatery each month?

As a final note, think about the power of 'compounding' as your additional contributions grow in value inside your retirement account. At 8 percent a year (the historical long-term average for the stock market), your money doubles in value in just 9 years. At 10 percent a year, it doubles in value in a little over 7 years. Even if the stock market grew at less than its historical rate in coming years — let's say it turns out to be 6 percent — that still means you'll double your money in just 12 years.

Such is the power of using the "1% Rule" today, and letting time and the power of compounding do the rest of the hard work.

• **Steps to Take:** Raise your 401k contribution limit by 1 percent today. Raise it by the same amount or more every 12 months. You'll find yourself painlessly saving a lot more than you ever thought possible.

Retirement Defense Step No. 7:
Triple the Value of Your Savings Overnight… By Taking a Long "Dream Vacation" Overseas

I have a final suggestion when it comes to increasing the value of your retirement gains. Ultimately, to have a happy, satisfying life in retirement means your yearly income must be more than your yearly expenses.

Easy to say, almost impossible to achieve, right?

But instead of worrying about how to increase your income — what if you moved outside the United States, to countries where there's a large American expatriate community and a dramatically lower cost of living?

Suddenly, the "impossible" isn't so impossible after all. Just take a look at a chart we've prepared looking at six categories of living expenses (food, housing, transportation, personal care, entertainment) in a variety of sunny offshore retirement locales:

Country	Food	Rent	Trans.	Personal Care	Entertainment	Cost vs U.S.
Punta del Este, Uruguay	-24%	-50%	-49%	-35%	-12%	-35%
Granada, Nicaragua	-46%	-32%	-17%	-20%	-34%	-30%
Panama City, Panama	-9%	-13%	-44%	-29%	-2%	-18%
Seville, Spain	-28%	-41%	-20%	-24%	-32%	-30%
Lisbon, Portugal	-31%	-42%	-3%	-36%	-13%	-25%

SOURCE: Expatistan

In other words, moving offshore is like giving yourself a large jump in income, simply because prices in these locations (and many others) are so much cheaper, and your money goes so much further in value.

You can take this one step further and buy your own place overseas. The prices vary, depending on the country in question, foreign exchange rates, and the property's location (beachside, mountains, urban), but it's something that most people should at least take a look at when considering their retirement options. Some people buy a place, live in it part-time, and rent it out (with the help of a real-estate management firm) for a number of months. Others buy a place and make it their full-time residence.

• **Steps to Take:** Start thinking about where you might want to retire outside the United States. The point is, even if you have long given up hope of having a comfortable retirement, you do have choices if you're willing to expand your consideration of residences outside the United States.

Final Words

If you've read this report carefully, you'll see exactly what we meant when we talked at the beginning about the importance having a strong retirement defense. It really will make you money in any market and build a platform for even bigger gains through thick and thin. You want a defense that raises the floor of your investment, even if the ceiling is temporarily pressured by factors, like the economy, that are out of your control. Watching for fees and conflicts of interest and minimizing taxes while building on the strength of income flow is the key to coming out way ahead down the road.

Kind regards,

Ted Bauman, Editor
The Bauman Letter

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