Everyday millions of Americans wonder if they will have enough money to retire. In recent years, many have postponed or even scrapped their plans to live the American retirement dream. We often see ads of happy healthy senior citizens on cruises, playing golf, and generally enjoying “the good life”. Is this reality or the vision financial advisors want us to believe?

I implemented a plan using most of the conventional advice from financial gurus to prepare for retirement. Most – if not all – of the advice failed when the stock market crashed twice in the last ten years and we entered a recession. If I followed conventional advice blindly I would have been financially bankrupt well before retirement.

In this booklet, I’ll share with you the plan my wife Theresa and I put in place to ensure our retirement is on the right track. Retirement isn't only about money; it's about gaining financial independence, living a comfortable lifestyle, and leaving a financial legacy for future generations. I fully retired before I turned fifty, had no trouble kicking the work habit, and now I’m free to pursue other interests.

I hope you find some tidbits of advice in this booklet that will allow you to find financial independence and a comfortable lifestyle at the age of your choosing.
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Hello Friend,

Why would I take the time to write about financial independence? Three reasons:

1. I truly believe financial independence is within everyone’s reach if they apply the right principles.

2. Our nation is in trouble, so I’m preparing for a time when the Federal government has to make tough choices and cuts to many of the social programs, like Social Security and Medicare, which they promised to our country’s citizens.

3. I have a duty to my family and close friends to share this information because most of us were never taught how to handle, save, or invest money.

What’s happening in America? The most prosperous country in the world is falling behind in many of the benchmarks we have always used to measure our quality of life. For many Americans, a low quality of life is becoming a way of life. These are the problems and ways of thinking I see as being the financial downfall for millions of Americans:

» The need for instant self-gratification
» Not sharing financial knowledge within families
» Clinging to financially unhealthy spending habits and consuming rather than conserving
» Many think they can predict the mood of Wall Street and outperform the experts
» People make faulty financial projections or follow the advice of financial gurus
» Millions bought houses as investments and not as a place to raise a family
» Many don’t handle credit card debt properly
» Most are not using home equity correctly
» Millions borrowed money from the most expensive, instead of the least expensive place
» A lack of basic financial education

Financial education is one of the most important values a family can pass on to the next generation. When I write later in this booklet about the importance of leaving a financial legacy for our children, I don’t mean just passing on accumulated wealth, I also mean passing on the financial knowledge that goes with the wealth, so our family will prosper for many generations. I am committed to this.
The Concept of Financial Autopilot

When I first joined the Navy, I put together a series of handwritten 3” x 5” cards containing information I compiled from several financial planning sources. I called it “financial autopilot”. The analogy being that when a plane takes off, it uses full power to start rolling down the runway and get off the ground. As the plane lifts off, the pilot puts up the flaps and landing gear and builds speed in the climb.

When the pilot levels off, he pulls back on the throttle to a lower power setting allowing the plane to fly straight and level with less than full throttle. He switches on the autopilot and relaxes a bit, but being ready to react if there’s a mechanical problem with the plane, unexpected weather system, or passenger problem. His course, altitude, and speed are set and he monitors the aircraft until it’s time to land. The pilot can’t forget about the controls, but can relax a bit and enjoy the view.

This is how I envisioned planning for retirement at the time I worked on the financial autopilot concept: Get a good education, work hard, save money, educate yourself about investments, taxes, estate planning, wills, trusts, and follow the investment plan. In time I would be on financial autopilot with minimum effort needed to remain on course. I put the cards away and followed the plan.

What I didn’t anticipate were the storms we had to fly through, like the stock market crashes of 2001 and 2008, the real estate crash, and the recession we are currently in. I even lost money in the great Beanie Baby crash of the mid-1990s.

I Needed a More Robust and Secure Plan than the Financial Autopilot Concept

I’d followed conventional advice and didn’t feel comfortable it would work when I was ready for retirement. So I started back at the beginning with the basic question: What does financial independence and retirement mean to me? I separated the two because one deals with money and the other deals with work. For most people they’re connected in some way. But to some, it’s the American dream of a paid off home and not punching a clock. To others it’s working at a job they love until they’re forced to leave.

It’s different for everyone. Sam Walton was having a blast running WALMART well after most people retire. Others would walk away from their job in a second and never look back. Everyone should ask themselves this question in order to start the process: What does financial independence mean to you?

To me it means spending time with family and friends and having a predictable, life-long income that provides a comfortable lifestyle. Sounds like a simple goal, right? But it’s much harder to implement, since you don’t have control over your future if you follow conventional advice. Some of that advice can actually cause more stress than it promises to relieve. The tide is against you.
Shifting the Responsibility of Saving for Retirement from Companies to Individuals

In the 1990’s, employers and mutual fund companies got together and started a movement away from traditional pension plans, which made mutual fund company profits soar as billions were diverted to mutual funds. Companies offering pension plans were regulated in how they invested and managed the money so there was some degree of accountability and safety.

Now employees who are ill equipped to make long-term financial decisions are in charge of their financial future – a setup for disaster in a country where access to easy money proves too much temptation for the baby boomer generation.

Companies sold the pension to 401(k) shift to employees by promising them they would have more control over their money, more investment choices, and would be allowed to transfer their funds to their next employer.

Companies usually matched a percentage of the 401(k) investment the employee made. Studies have shown employees are not investing in their 401(k), or if they are, it’s only up to what the company will match, usually 3-5%, which over time will leave the employee hundreds of thousands of dollars short in retirement funds. As companies eliminated pensions and moved to 401(k) plans, they also lowered medical coverage and started charging more for retiree health insurance coverage. Who knows what’ll be next.

The State of the Economy and How It Will Affect You

When I was growing up and someone mentioned a double dip, it usually meant an ice cream cone with two scoops. Now when you mention a double dip everyone thinks of the recession we’re in. There are people in America right now who have run out of unemployment compensation. Most have been collecting unemployment compensation for over ninety-nine weeks (yes 99, as in close to two years!)

For some this includes fully funded retraining programs in the trades or college. I’m not making character judgments, but we face a real problem with so many being unemployable for over two years and it doesn’t account for the many hundreds of thousands who are underemployed or have stopped looking for work.

Let’s take a look at just one topic affecting all Americans that will affect your financial independence, if you don’t make the correct moves: Will taxes go up in the future? Most people would say absolutely yes, but the amazing thing is they will just accept it as a fact of life. The bottom line is that taxes are as unpredictable as the stock market and you have little control over them.

The bottom line is that taxes are as unpredictable as the stock market and you have little control over them.

What if America follows in the footsteps of Greece? The Greek government borrowed more than they could afford to pay back and are depending on the European Union to bail them out. They raised taxes to limits that caused citizens to protest… and then realized the only way to fix the problem was to cut social programs, reduce the incomes of current state workers, and slash pension benefits. They even resorted to cutting the number of government employees, but it was too late. I can see this happening in America and I haven’t even addressed the effect our growing national debt will have on our future as a nation and on us as individuals.

So how do you save on taxes? I’ll discuss later how to save on taxes, even when the government is trying to hinder your financial independence plan.
Conventional Wisdom

Following conventional wisdom can cause so much stress, I can see why young people and most baby boomers deal with it by spending for today (consuming) and not saving for tomorrow (conserving). Several years ago the average savings rate for the average American family was around 5%. That meant the family was spending what they took in and weren’t saving much for the future. They were taking on debt faster than they could pay it down, and betting on the stock market and housing boom to keep going up to fund their spending habits.

Now it’s a bit better and Americans are starting to save due to the fact there’s a forced savings program in place – it’s called a recession.

Seven Myths I Believe You Should Throw Out

1 Parents must go broke paying for their kid’s college education.

There are so many ways to pay for college today without spending your retirement savings and without your kids going into debt for the rest of their lives. Does it make sense for your children to be $50,000 in debt when they graduate from college with a communications degree? A starting salary of $35,000 per year will have them paying off student loans for years if they go to a top tier school. The difference between a top tier school communications degree and a state school communications degree is marginal in the long run.

If you want to invest for college, what’s the best way? I don’t recommend a 529 education plan simply because I don’t know anyone who has ever done well with one (I ask everyone I know with kids in college if they use a 529 plan). The funds are tied to the stock market or some form of equities market and are very restrictive on how you can use it.

Interestingly, the families who get the most financial aid are making the least income and have the least reportable assets, so the system makes it counter-productive to save and invest, because you may be punished for good behavior. Promote your children’s interests and congratulate them if they’re extremely creative, talented, and hardworking, but don’t send them to college to accumulate debt or so they can grow up. A good community college or state school may be just what they need starting out. As Paul Terhorst says, “your education is the life you lead”.

2 You must work until you’re old.

Times were simpler 20 or 30 years ago and investment opportunities were less complicated. Pensions and social security benefits were the mainstay of retirement planning, but even with those options in place, the thought of early retirement or stopping work before 65 was unheard of. Workers just didn’t accumulate that type of wealth that early in life. I believe if you have the means to retire from 9 to 5 work and not be a burden on anyone, then do it. Who says you have to work until you’re so old you can’t enjoy life? You should enjoy your life while you’re in good health and physically fit.
Don’t plan on retiring at 65.

When I read this advice for the “new normal,” it makes my head spin! This is what it says to me: You’ll need a ton of money to retire, you better plan on saving from day one and working into your seventies, pray the government programs you paid into are here tomorrow, most of your money will be tied up in taxable accounts, and you’ll pay dearly in taxes when you retire.

What if 8% doesn’t happen or if in the last few years before you plan to retire, the market loses 20, 30 or 40%?

Another fundamental flaw in the conventional wisdom on retirement planning is that it predicts an 8% return over the 30-40 years you’ll be invested in the stock market. What if 8% doesn’t happen or if in the last few years before you plan to retire, the market loses 20, 30, or 40%? Who wants to even think of retirement when it’s that hard to comprehend and even harder to predict what will happen in 30 or 40 years?

Invest in the stock market for the long term.

Why do they call stocks “securities” when there’s nothing secure about them? Mutual fund managers and stockbrokers like to say that over the last 60 years the stock market outperformed everything else on the planet. I don’t buy it.

What if you entered or exited the market at times other than when they did their analysis or were invested in the wrong sector like small or international companies. What if you don’t have a 20 to 30 year time horizon? If you’re like most Americans you earn, save, invest, spend, and plan to retire someday. All of this causes stress even if you win. You may even try another route instead of investing: You can spend on “stuff” and depend on the government to bail you out, like so many baby boomers are doing.

With all my bills, I can’t find money to invest.

There are several places to get money – current income, interest on savings, returns on investments, inheritance, win the lottery, borrow it or steal it. But one of the best ways to find money is to cut down on your infrastructure. (I’ll give you ideas about that later.)

The Social Security system is okay.

There are a few older Americans who paid very little in and are collecting relatively large checks each month because they are living longer. My friend Reginald retired at age 65 and collected Social Security benefits until he died at age 100. He collected a monthly check several hundred times larger than his monthly contribution. He collected checks for 35 years. His wife Marjorie did the same thing, only she died a few years after him when she was in her mid-90s. I loved Reginald and Marjorie, but that doesn’t sound like a fair system to me or a system that will last much longer.

A paid off mortgage is required to retire and my home is a safe place to keep my retirement money.

Read the section on home equity coming up shortly.

Places to Invest

I have an MBA and still can’t make money over the long run in the stock market. I don’t have the time or expertise to change that trend. I made money and I lost money, but what I couldn’t stand was not being in total control of my money. I couldn’t tell one day to the next where the stock market was going. In her book, “Bank On Yourself” (www.bankonyourself.com/c) Pamela Yellen describes the stock market and banking industry as the “Wall Street Casino” and I completely agree with her.

We have owned four homes during my Navy career. Just like the stock market, we made some money and lost some money. In the long run, I think we are down several hundred thousand dollars due to last housing bubble. I read “How to Retire at 35” in the early 1990’s and came away thinking “cash is
king” and home ownership was a long-term money-losing proposition. I believed that for several years… until we moved to San Diego and got caught up in the real estate boom of the mid-2000’s. We thought we found paradise and planned to retire there, so we bought a big house. Against my early 1990’s real estate education, I was lulled into the mentality that real estate values would always go up.

Then I decided to take one last set of orders to Monterey, CA and we needed to sell the house… just as the housing bust happened. We had to rent the house out for a few years and finally decided to cut our losses and sell it. We took a beating, but not as large as if we waited longer and had to worry about the house every day.

Now we rent a house in Carmel. I now live in a home that is actually smaller than the one I grew up in, but it’s close to the beach and everything we need. Renting has many benefits, especially in a weak real estate market. We’re free to move around the country at will to cut costs, or we can move if this part of the country no longer interests us. We actually save more money while renting and are not worried about building equity. The only risk we face is that the owner will want to occupy or sell the house. If that happens, we move.

Home Equity - Would You Buy this Investment?

What investment pays no interest, is not guaranteed, never goes up, can go down without you being able to do anything about it, and is tied up because you have to go through a banker or mortgage company to borrow the money you paid into the investment? The investment is home equity. With all the downsides, why would anyone invest in this? When you think about it this way, you have to agree home equity is the worst possible place in the world to invest your money.

Don’t confuse home equity with home appreciation. When your home appreciates, its value goes up, but your equity is not making a dime. What do you think a banker would say today if you asked for a loan using your home equity as collateral? I heard home equity lines of credit are being canceled or frozen when the value of a home decreases. And believe it or not, a home with a low mortgage balance is a much better target for foreclosure in hard times.

I’m not saying don’t buy a home: what I’m saying is buy a home if it fits your goals outside of an investment strategy and don’t depend on home equity to fund your retirement. As a side note that I’ll go over later. I’m always surprised at how many people will buy a 30-year home mortgage and insurance on the house, but refuse to insure themselves with a life insurance policy, which
doesn’t have the negative downside of all the home equity issues.

How about a UTMA/UGMA account? Theresa and I were so happy when the boys were born and we were going to make sure they were financially secure as young men. We started saving for them the day they were born. We opened up a UTMA (Unified Gift to Minors Account) which allows you to save and invest money in your name for the benefit of the child.

What are the benefits of an UTMA account? The dividends are taxed at the child’s rate and the money can be used by the parents for the good of the child. That’s about it. The downside of the account is that you must turn it over to the child at 18 or 21 (depending on the state you have the account in), whether they are prepared (maturity or financial knowledge) to accept it.

“If the pros can’t do it more than 20-30% of the time, how could I beat the pros?”

We put money in every month for five years and had about $23K for each of them by that time. We thought we were all set – what a wonderful way to set them up financially. It wasn’t all set. In 2001, the market crashed and we lost 45% of the fund. I’ll explain later what we did to prevent that from ever happening again and to ensure we have full control over the account, while creating a more secure lifetime investment for the boys.

A Tip from Bob -

Pamela Yellen wrote an excellent exposé about 401(k)s and how yours may be costing you hundreds of thousands of dollars of your hard-earned savings!...

Find out how to protect yourself:

www.bankonyourself.com/zombie-investors/c

Stocks, bonds and mutual funds – it’s your call. I spent 20+ years investing according to conventional advice and at best broke even after trying to time the market and researching the next “big” investment. If the pros can’t do it more than 20-30% of the time, how could I beat the pros?

Is Your 401(k) Killing You?

Medical experts say prolonged stress can lead to miserable diseases. There is stress due to the insecurity surrounding retirement accounts, specifically your 401(k). Some people even make jokes about 401(k)s after each market crash calling them 201Ks, but kidding aside, stress ruins careers, marriages, and your retirement. Everyone knows stress kills, but did you know your 401(k) might be killing you? What happens if you don’t save the $1 - $2 million the experts are saying you’ll need to have? Here’s a partial list:

☑ You’ll experience financial stress from several different factors. When your 401(k) is doing well, you hardly look at it. When it’s doing poorly, you look at it every day and we always remember the decrease. As the market turns down, you feel helpless since you don’t know where to turn and often make the wrong move at the wrong time.

☑ Every time your account falls, it creates cumulative stress and you know the clock is ticking, which adds even more pressure. Add to this every financial advisor saying in your ear, “if you make the wrong moves, you’ll end up in a nursing home without anything”.

8
As your retirement dreams slip away and you realize you have to work longer, you experience lack of control over your future. You listened and acted on every piece of advice the experts suggested and you still lost. No one wants to feel like a failure, but it happens. After 40 years of work, you didn't save enough to take care of yourself.

You end up doing what the folks in Las Vegas call “chasing the bet”. You bet on a more risky stock to make up for the loss. You increase the risk on each new bet and may never make it all back.

How do you avoid the stress of having a 401(k) you have no control over? You have two choices – don't have one in the first place and give up the tax deduction… or make sure it's in a safe investment. Either way, it shouldn't be a major pillar of your financial plan. I would hope the government never thinks about “borrowing” from citizen's pensions and 401(k) plans, like it did with Social Security funds. All that said, if you have a solid plan that doesn't include a 401(k), you have less to worry about.

How Do You Keep Your 401(k) From Being a Burden?

Start strategic withdrawals under IRS ruling 72 (t). It allows monthly withdrawals (payments) over your lifetime to avoid the 10% early withdrawal (before age 59 1/2) penalty. There are about eight ways to strategically withdraw your 401(k) without being hit with the 10% penalty. You can use it to buy a home, for educational purposes, medical expenses, take periodic payments over your lifetime (as suggested above), and a handful of other ways.

I cringe every time I hear the financial gurus say taking anything out of your 401(k) is a mortal sin, because it's just not true.

Want to Safely Increase What You Make on Your Savings by 200% or More?

Is your money in the bank, in a CD, or under your mattress? What's it making - 1% maybe 2% – if you have a high balance in the account? Want to double it or even make up to four times that amount guaranteed? Sound impossible?

It's not. Just move it from the bank to a better savings vehicle. Go from an account paying 1% to an account paying 5%, and you made four times or 400% more on your money. It's that simple, instead of loaning the bank your money at 1% (so they can loan it back to you at 7% or 10%), take most of it out (except for some emergency money) and put it to work for you. Later in this booklet I’ll tell you how you can do it and in a way that's just as safe as the bank maybe, even safer. (See page 17.)

“Go from an account paying 1% to an account paying 5%, and you made four times or 400% more on your money.”

Putting the Plan Together

Where do you go to set up your financial independence plan? How do you put the whole package together, enjoy time with your family and friends, save for retirement, save on taxes, pay for college, retire on your terms, and leave a financial legacy for future generations?

First, ask yourself or your financial advisor if they can tell you exactly how much you will have when you're ready to retire, how much you can spend each month in retirement, and will the money outlive you. Ask yourself or your advisor what will happen if you don't reach those targets? Will you receive the fees or commissions back?
I asked myself those questions and couldn’t answer them with certainty, so I looked for something beyond my financial autopilot concept. Of all the places conventional advice suggested I put money, none of them would produce a guaranteed predictable life-long income to accomplish everything I listed above.

**Enough of the Theory, Let’s Get Into the Real Stuff**

In his book, “*How to Retire at 35*”, Paul Terhorst planned to retire young and enjoy his free time while he was healthy. His philosophy was simple: work, save, cut down on infrastructure, and decide what you want: a good job or a good life, and then cash out when you’re ready and on your terms. His plan was to sell his home and invest the home equity in safe, predictable CD’s, cut down on infrastructure (cars, boats, stuff), and move to a low cost living area. This plan works well as long as CDs are returning enough interest income to live on.

The book was written in 1988 and although he had to change his plans from investing in CDs, he is still retired and living his American dream (in South America). I’ve emailed him and thanked him for his insight and advice.

**Infrastructure**

Do I really need three cars? Many of our friends have three cars/vans/trucks or a combination of them. Registration, insurance and other costs can be over $3 - $4,000 a year, not including car payments. It’s no big deal if you have a huge house, a vacation home, 3 cars, an RV, or enter your own expensive toy here...

But you probably won’t be ready to retire anytime soon.

And what if you or your spouse lose your job? If you answered, “That would be devastating,” you probably have too much infrastructure. Trade “more stuff” for “less stress and more time” in your life. I lived in a plywood hut for nine months in Afghanistan. I know what it’s like to have little or no infrastructure.

Most people describe their ideal vacation or location where they can truly relax as a deserted beach, small cabin without TV or Internet, or a camping/hiking vacation. They rarely ask to go to places where they sit around “stuff” or are surrounded by crowds. One of the things the recession has done is to make being thrifty cool again, whether it is back to basics vacations or cutting down on the infrastructure in our lives. Those who were thrifty never felt a decrease in lifestyle during the economic downturn.

When we talk about infrastructure, we should also talk about ways to cut expenses. I’m going to suggest some ways to save money and in some small way help save the planet’s resources. I drive a ten year old car which I use daily around Carmel and Monterey. It’s in great mechanical condition and the body is dent and rust-free. I save on insurance and don’t have a car payment.

We replaced all our light bulbs with CFLs. In San

**Another tip from Bob -**

**The ‘10/10/10’ Formula of Savings Rescues Many Overstretched Family Budgets**

Most modern Americans overspend, assume too much debt, and fail to invest wisely for retirement. Tim Austin, a leading proponent of ‘old-fashioned’ spending and savings strategies, recommends a time-tested 10/10/10 financial formula: saving 10% of gross income for the near-term; 10% for the mid-term; and setting aside 10% for the long-term. Learn more at:

[www.bankonyourself.com/10-10-10-formula/c](http://www.bankonyourself.com/10-10-10-formula/c)
Diego, we had two large ovens, one we never used and the other was so big it took twenty minutes to preheat. In Carmel we have a small oven, which takes a minimum amount of electricity to preheat and cooks faster. We also have a smaller microwave – 700 watts – versus the standard 1000 watt size. Get rid of the toaster oven to toast bread and get a regular toaster.

I know people who have an extra refrigerator and freezer in their garage. The second refrigerator is usually just holding extra soda and beer. We bundled our cable, telephone and Internet to save and we cancelled the Dish TV altogether and haven’t missed it at all. We use our free cell phone minutes on the weekends rather than long distance on our home phone.

I registered my car for two years and saved about $50 over registering it for one year. We also called the trash company and had them give us a smaller barrel and saved $50 a year. We didn’t need the large barrel and most people would have just paid the bill and not looked for an alternative.

These are just a few ways to save money and it freed up money to work for us in other ways. Some of these examples may sound ridiculous, but that’s the point. There are ways to save on food, automobiles, housing expenses, insurance, or just about anything you use in your life. The Internet is full of ideas on how to save money on everyday things. *If you can free up money by making some small adjustments, think of the money you can save by making larger changes.* You choose the ones that work for you.

**How to Save On Taxes**

There are those who pay taxes and those who don’t. I’ll guess you’re somewhere in the middle like me, but I’m working on reducing my tax burden all the time. It’s *not* that we *shouldn’t* pay taxes – most of them are for the common good and this country would be in dire straits if no one paid taxes. What I mean about tax reduction is more along the lines of not paying *unnecessary* taxes. If I pay my fair share and nothing more, I feel good about paying taxes, but when I get taxed three and four times on my income and investment earnings, I go into tax avoidance mode. Here are some thoughts:

Lower your income that has to be reported to the IRS. I’ve overfunded our insurance policies and they’ve built up considerable cash value. One of the many benefits of the insurance product is that I can borrow from it. If I take a loan (which I can either repay at my discretion or leave open until I die), the money from the loan is *not* considered income and thus not reported to the IRS (no W-2 is created). This boosts our lifestyle, but doesn’t add to our tax burden and it’s completely legal.

**Another tip from Bob:**

Pamela Yellen wrote an article explaining five ways *Bank On Yourself* could save you thousands or even hundreds of thousands of dollars in taxes over your lifetime at...

www.bankonyourself.com/boy-tax-advantages

**What Theresa and I Have Done**

One of the blessings Theresa and I experienced when the boys were born was that she could stay at home while the boys were young. She went back to work when she wanted to, not because she had to. Another blessing is that we stuck with the Navy as a career choice. It allowed us to receive a pension the day I retired, obtain low cost medical insurance, and allowed me to fully retire when I was ready.

I tried to incorporate the best of all the books and articles I read over the years to come up with our financial independence plan. We cut down on infrastructure where it didn’t impact our lifestyle negatively, freed up assets by moving them to less volatile investments, consolidated 401(k)s and IRAs into funds which have low administrative costs, purchased...
and over funded insurance products to create an investment as well as insurance coverage, and explored ways to save on taxes. We may start strategic withdrawals from our IRAs under the IRS ruling discussed earlier.

Theresa and I didn’t win the lottery or follow a run up in the stock market. We didn’t inherit a fortune (or a dime for that matter), pick any pockets or commit fraud; we just lived within our means and found we didn’t need expensive toys to make us happy. Do your goals revolve around your needs or your wants or the pressures of keeping up with what others in your community have?

**Develop a “Permanent Standard of Living” that Feels Like a Perpetual Vacation**

We developed a “permanent standard of living” or a “permanent lifestyle”, which means we have what we need to enjoy life. We live a great lifestyle without giving up the things that give us stability and pleasure. We’ve lived in some really great cities and now live in one of the most beautiful and enjoyable towns in America. We hike in beautiful state parks and can walk on the beach every day of the year. It feels like we’re always on vacation.

We replace things as needed and critically analyze any new major purchases with an eye toward “needs” versus “wants”. We are no longer tied down to a large home or overburdened by debt like most Americans. We are “economically insulated” from major disasters and recessions.

Downsizing and reducing investment risk alone, have also had the added benefit of reducing stress in our lives. If you ask couples what stresses their marriage most, 80% would say “money”. What they really stress about isn’t money – it’s the internal and external conflicts generated by making and spending money on “things”. Theresa and I have been together since 1979 and have always been on the same page when it comes to handling money, so we will never face some of the pressures most American couples face.

> “Free yourself from the stress of “things” and focus on your needs rather than your wants. It will free up cash and free your mind from the stress of taking care of the infrastructure that surrounds you.”

With my retirement pension from the Navy, the sale of our San Diego house (we took a large loss on it like everyone else selling a house in 2010, but it eliminated future risk), and Theresa being employed, we are making enough money to cover our monthly expenses, emergencies, inflation, our insurance investments, and still have some left over for fun.

Another valuable aspect of our plan is it allowed Robert and John to experience an upper-middle-class lifestyle while still learning valuable lessons in handling money and living within one’s means. That’s one of the financial education legacy lessons I want to share with my family.

**Leaving a Financial Legacy**

By putting together the final pieces of our estate plan, I could make bequests to some non-profit organizations in Carmel that I think are worthy of a large donation upon my death. Not only do I feel good about doing this, it’s also clear what my intentions are and that takes the guessing game away from my heirs.

I have the cash flow today to make the several large donations I’ve promised, but in 20 to 30 years with the insurance policies in place, I will have enough to make even larger donations. With my insurance policies, I can even take money out before...
I pass and make the donations so I might be invited to a luncheon or dinner in my name!

It’s your life and your legacy – don’t leave the major decisions to your family or friends and don’t leave things undone. My father died of a heart attack at 54. I never saw his will and he never spoke about his wishes upon his death. He missed a golden opportunity to start a family financial legacy.

Financial independence needs only one generation to acquire the tools (knowledge and capital), but that one person or couple needs the self-discipline to learn some simple techniques and not spend all the money on a beach in Hawaii (that comes a little later after the plan is set up).

Getting the plan started is as easy as funding a life insurance policy, but if you want to combine financial independence and your financial legacy into the same product, the right insurance policy is what you need.

Right now you can stop reading and I hope you feel you got something of value from this booklet. The next section discusses the vehicle I used to make the plan a reality, but I have to warn you that it reads like an infomercial.

“I’m passionate about life insurance because it fits all the parameters I needed to build financial independence as well as leave a financial legacy.”

Life insurance is the universal estate creator. It buys time. It buys the years of earnings and savings you would have otherwise used to provide support and security to your family. Life insurance guarantees your goals and dreams extend after your death and it doesn’t change because of business conditions or economic factors out of your control.

I’m not being paid to endorse a product. You can use any insurance product to do some of this, but finding the right set of policy benefits really helps accelerate the value. Read to the end of the booklet and then go back and review each benefit against your current investments. I’m sure you will see that your investments may have some of these benefits, but not all. And you may even be saying to yourself what Theresa and I said – “I didn’t know you could do that with life insurance.”

**Bank On Yourself: The Swiss Army Knife of Saving and Investing Vehicles**

The Bank on Yourself insurance product is one tool we use to secure our financial independence and is the Swiss Army knife of savings vehicles. It’ll give us a safe predictable income and provide more benefits than any investment recommended by the gurus who told us to follow conventional advice. It’s a personal financial “bank” in every sense of the word, because it allows us to use our money outside the traditional banking system and not answer to any government entity.

It’s an intellectual bank because it allows our family to share the techniques of financially successful families with little risk of failure as it passes from generation to generation. It has allowed us to have plans in place for continued income, college funding for the boys, and guaranteeing we leave a financial legacy when Theresa and I are gone. We call it “The Bank of Mom and Dad.”
The policy contains all the pure old-fashioned benefits of life insurance (guaranteed minimum annual cash value increases, death benefit, ability to borrow from it), but it also incorporates a few new concepts, which turbo-charges it for faster, more consistent cash value growth. Sure there are the costs of insurance and commission to be paid just, like any other investment. But if you’re looking for a long term, “let me sleep at night” investment in addition to your impressive stock portfolio of the latest high tech companies, this is a great choice.

Before you move on to the next section, I want to share an interesting thing I noticed at my local library in Carmel. It’s a nice small town library with a whole shelf of books on investing and retirement planning. It’s a fairly affluent community of people either close to retirement or in retirement. The library has several different books by financial gurus, Suze Orman and Dave Ramsey, who also have TV shows, web sites, endorse financial products, and endorse their own non-book related products. Remember I talked about conventional financial wisdom earlier? These two are the poster children for that wisdom.

First off, they put down whole life insurance as a waste of money and don’t mention whole life insurance may be one of the only assets a person has left if the market crashes or they run into other grave financial trouble. They never address the underlying need for life insurance as a tool for leaving a financial legacy and suggest using term life insurance to accomplish income replacement for the young family.

What I really found interesting was that they each had several different books on the shelf. Shouldn’t they only need to write one book covering the fundamental principles of financial planning? Why did they need to reinvent themselves to different audiences or after each market crash?

“Shouldn’t financial planning be the same over long periods of time if you have the right plan from the beginning?”

I realize tax laws change, but these weren’t tax books, they were fundamental financial planning books for regular folks.

The library didn’t have a single copy of *Bank on Yourself*, but since I feel it’s the only book that covers the one investment that fits all your financial needs at any point in your life, I’m going to donate a copy and hope they put it on the shelf right next to the books by Suze and Dave.

**The Bank On Yourself Concept**

This is a list I came up with about the benefits of the correct type of insurance product over the stock market, banking products, real estate, or other insurance products. I couldn’t find anything like this within the current investment options available today. The best way I found to secure our financial future was to invest in this concept. Some of the benefits I found were (in no particular order or importance):

1. I am the owner of all the policies although I’m only the insured for one policy. The other polices insure my wife and two sons. As the owner I have control over the way we use them, and when the time comes I can transfer ownership to anyone I desire, even a charity.

2. Liquidity and rate of return is protected. One of the reasons I was so receptive to Bank On Yourself-type policies was that I had already experienced the power of traditional whole life policies through two I had purchased that are available to those in the Navy. The rate of return on those policies the last five years has been over 6% per year.

3. Guaranteed never to lose principal (money). Once
the company posts interest and/or a dividend it can’t be taken away.

4. Tax free growth. Unlike most other investments, you don’t pay tax on the dividends you earn each year or capital gains taxes when you sell the investment.

5. Tax free distributions (loans) – with no rules on how you use the money or payback timelines.

6. Income tax-free distribution (face value of policy) blossoms upon death.

7. Can be structured to avoid probate and pass to your family or charity the way you decide, not the court.

8. The value of life insurance is not used in the college financial aid calculation (FAFSA) or for Social Security and Medicare benefits.

9. You can use life insurance to offset estate tax and eliminate other financial burdens on your heirs.

10. As long as you pay premiums, or it’s paid in full, the insurance can’t be withdrawn or canceled.

11. Won’t offset Social Security benefits as an income source because you will be taking loans, which are not considered income (no W-2’s are issued). Carefully look at the taxation of income and Social Security benefits in retirement. Social Security penalizes you for being a competent citizen and having other income in retirement before your full retirement age. Your benefit goes down proportionally to how well you planned for retirement. If you have income over a very small threshold, your benefits are reduced and much of your income (including the benefit) is taxed.

12. You don’t have to wait until you’re 59 1/2 to start taking out money and you don’t have to take mandatory distributions at 70 1/2. The tax burden at that point in your life may be large since you may not have deductions such as a mortgage or children at home. Instead of paying tax on the money you withdraw from qualified plans (401(k), IRA….) you can take income tax free money out of your insurance policy, through a combination of dividend withdrawals and policy loans.

13. Lower taxes since the loans are not considered income (no W-2 is generated).

14. The companies used by Bank On Yourself Authorized Advisors (www.bankonyourself.com/certified-advisors/c) like mine are stable and have been in business for over 100 years.

15. When I started the Bank on Yourself policy, there was a difference between the premium I paid and the cash value of the policy. It was several thousand dollars because of the large initial amount I invested, but I wasn’t concerned because the commission and initial premiums are the set up fees for starting our family financial independence plan. When you start a business there are always start-up and overhead costs. The insurance company has to fund the insurance. In other words, they collect a larger proportion of what it is going to cost to insure me upfront because they are taking the most risk at the beginning of the policy.

A Tip from Bank On Yourself:

**Busting the Bank On Yourself High Commission Myth**

One of the most persistent myths and misconceptions about Bank On Yourself (www.bankonyourself.com/c) is that advisors only sell these policies because they make big commissions doing so.

Of course, that accusation typically comes from financial planners, investment advisors and money managers who want you to invest in the stock market, instead.

Learn the FACTS - with actual numbers - in this short video: www.bankonyourself.com/busting-the-myth/c
Commissions are a cost of doing business for whatever type of investment you make. Don’t let mutual fund companies tell you it’s a no load fund (no commission). They all charge an administration fee each year that can, over the life of the investment, be much more than the total insurance policy commission. I feel comfortable paying a commission to my insurance advisor because he put in the time and effort to educate me about this product and to become the expert in this type of product.

You don’t question the doctor’s bill before you go into life-saving surgery. Part of the cost of surgery is to pay back the doctor for his expert talent and ten or more years of professional medical education. Commissions and fees are part of doing business and in the long run will amount to pennies on the dollar when the policies mature.

16. I know exactly how much the policy is worth now and in the future, plus how much money I can take out for retirement when and if I need it. Think about that for a second. How many investment advisors can tell you exactly how much an investment will be worth later (guaranteed)? You don’t believe me? I’ll show you the policy statements. But even more critical to the discussion is this: Ask any older retiree how safe and stable their 5-6% CDs and money market accounts were in the last few years as the yield dipped to 1 or 2%, and what their financial advisor is telling them to do now. Is the advisor saying he will make up the difference because he predicted future income and missed the mark, or is he suggesting the 80-year-old retiree start buying stocks to make up for the income she lost?

17. Have you known anyone who used a 529 education plan or UTMA/UGMA and it worked out for him or her? My guess is no, since there are too many constraints. But with the insurance policy you can fund a college education with no strings attached. Have you looked into the funding alternatives for college? Most are no more than personal loans with high interest rates and lots of strings attached. With the insurance policy I can fund the college education with loans from my account and pay it back on my terms if I decide to pay it back at all.

Also, with college loans, be careful if you are a co-signer. If your child defaults, you are on the hook for the entire loan balance. I watched a CNBC special report on student loans recently and one family was in financial ruin because their son had student loans of over $50,000 and was tragically killed in a car accident either within a few months of graduation or having recently graduated. He never had the chance to start his career and earn the money to start paying back the loans. But since the father had co-signed for the loans, not only did the family lose their son, but they were also billed for his outstanding student loans. The mother gave some advice at the end of the segment: “Buy some life insurance on your children when they start incurring debt such as student loans”.

Learn More About How to Save For College Without Going Broke:

Using the Bank On Yourself method beats 529 Savings Plans, UGMA and investment accounts for college savings by a country mile (www.bankonyourself.com/saving-for-college/c)

18. We found the money to fund our insurance policies by cutting down on infrastructure and using money that would have otherwise sat in our investments and returned little over the last few years. What this financial self-examination does is to train you to make important financial choices and decide on what’s most important in your life.
If you need help finding the money to fund a Bank On Yourself plan here are at (www.bankonyourself.com/funding-your-plan/c), and the Bank On Yourself Authorized Advisors (www.bankonyourself.com/certified-advisors/c) are masters at helping folks restructure their finances, often freeing up dollars without impacting your lifestyle.

19. When you take a loan from insurance products, there are no lengthy applications, no credit or credit score checks, no employment verifications, and no probing questions. As Pamela Yellen’s book (www.bankonyourself.com/products) points out: The only question asked is “how much would you like”? I tested this out on my policies in March, 2012. I had the money in my account in three days and it was a personal loan to ourselves from our own “finance company”.

20. Let’s say you have a great idea for a new business or want to invest in a friend’s business. Read # 19 again.

21. When you take a loan from a Bank On Yourself policy, you earn dividends as if you hadn’t taken a loan since dividends in some policies (including mine) are based on the pre-loan cash amount (cash value) in your account. This is a huge advantage over other policies making Bank On Yourself policies more efficient and creating a higher rate of return over the long run.

22. All investment advisors suggest you have a safe liquid emergency fund, preferably equal to six months of expenses in a bank you can access within a few days. I agree completely, but why not have your emergency fund in a Bank on Yourself policy where you are earning more interest and have access to money roughly the same time frame as a bank? I tried it – one simple form faxed back to the insurance company and three days later I had the money in my regular bank account. You can even do it all online in some cases).

There are two extremely large differences between the savings account and insurance policy emergency fund. The first is that when I take a loan for an emergency, the Bank On Yourself policy still pays me a dividend on the money I borrowed. This doesn’t happen when you take your savings out of your regular bank.

Secondly, with the BOY policy, you have a real emergency fund, the cash value of the life insurance policy, and if you really consider it, the face value of the policy is what your family gets if you pass (a true emergency).

23. A guarantee that my wishes of large donations to my favorite Carmel charities and friends will come true.

24. The Bank On Yourself–designed insurance policy, in most cases and up to certain limits, allows you to put more money in over time. Let’s say you have a “windfall”. I call this money “found money”. It’s money you didn’t expect to receive or come your way. If you inherit money or somehow come across money you didn’t expect, you can deposit money into the policy and enjoy all the benefits as the policy grows even faster.

25. If we have a medical issue or are facing a terminal illness, we can receive a portion of the death benefit in advance of death to pay medical bills or for whatever we want to use it for. (Available in some, but not all states.) Try going to a bank and telling...
them you need a home equity loan to pay medical bills for your terminal illness.

26. In many states, the cash value inside your insurance policies is not accessible to creditors or other collection agencies. This also includes bankruptcy procedures. I don’t condone getting yourself into a situation that warrants bankruptcy; in fact a well-funded whole life insurance policy could help you avoid bankruptcy and other financial hardships if used correctly. Bankruptcy rates in America today are increasing for non-extravagant lifestyle reasons such as unexpected medical bills and the housing crash. If every other part of your financial life goes down the drain, your life insurance policy may be the only item left in your toolbox to get you out of a financial mess.

27. **This is not like the life insurance you have at work.** You know, the free policy valued at one or two times your salary. The one that doesn’t remain in place when you leave the company, you can’t borrow from, and doesn’t build any cash value! That’s not real life insurance – that’s a workplace benefit.

28. What I like most about this product is that I can “get it and forget it.” I don’t have to track it every day or even every month like I was doing with the stock market. I also don’t get caught up in the frenzy of investing in the latest dot.com craze. Think about the stress other investments create.

29. I haven’t even talked about peace of mind and being able to sleep at night knowing you have a safe secure financial future. My family’s lifestyle is protected, my future income is guaranteed, and my family won’t have to struggle with major decisions when I pass. (To find out how Bank On Yourself can help you reach your goals and dreams – without losing sleep – request a free Analysis at [www.bankonyourself.com/analysis-request/c](http://www.bankonyourself.com/analysis-request/c))

30. I’ve never heard of anyone turning down an insurance check, have you? Would you turn down a check for several hundred thousand dollars? Especially when that check comes at a time when families are in despair from the loss of a loved one and may need the comfort of a secure financial future the most.

31. Lastly, I see people in the news who have worked for 30 or 40 years, and when they were about to retire, the stock and housing markets crashed. To top it off, even their safe investments of CDs went to a 1 or 2% yield, leaving even their most secure investments producing little income. *(Compare your financial plan to Bank On Yourself - [www.bankonyourself.com/compare/c](http://www.bankonyourself.com/compare/c))*

These people feel like failures – they let their family down, they let themselves down. Best case is that they may have to delay retirement a few years. **Worst** case is that they won’t ever be able to retire and may even become a burden on their families. The American education system, the companies they worked for, and our own government let them down. I would think the government, of all entities, would want everyone to have a policy like this to eliminate the need for late-in-life social programs like Social Security and Medicare.

The government is wasting billions by supporting those who didn’t plan properly. They should have been taught the **right** way to accumulate wealth. I pray I’ll never feel the way some of those close to retirement are feeling right now. Theresa and I feel more confident about our future each day our policies grow.
Looking Into the Future

Imagine that you have a crystal ball and look out 10, 20, or 30 years into the future. Are you a winner? Did you hit the bull’s-eye? Did you have access to the money you wanted or needed? Did your investments contain the 30+ benefits listed above? Did you provide for your family while you were alive and have plans in place for when you’re gone?

Or did you fail to investigate the one thing that would have made all the difference in the world? It’s up to you now, but let me leave you with a few last thoughts…

How would you answer this question: Do you want to leave the next generation of your family better off when you’re gone? Every person I ask that question answers, “Of course, that’s why I’m working so hard”. But many don’t realize that working hard doesn’t guarantee your family will be better off or more secure. In some cases it may mean you burden them with debt when you are gone. They don’t realize they could increase the total amount and even accelerate the growth of what is passed on to the next generation.

And what if the same solution could not only benefit one generation, but the next 10 generations when you teach your children how easy it is to do? Why shouldn’t you be the one to start along the path to ensure future generation’s have greater wealth and financial security? Your portrait might even be the one hanging above your great grandchildren’s fireplace mantel.

Why is it Hard to Create and Follow a Financial Independence Program?

Apathy! Most Americans would rather watch sports or plan their next vacation than their financial future. I received four tickets to a dinner seminar on investing for retirement at a fancy Carmel restaurant. The two other fathers I invited were professionals my age with kids around Robert and John’s age, so they should have been in the same retirement planning stage as me. They couldn’t make it to the dinner. They couldn’t even send a spouse. As it happens, the seminar didn’t offer a product or process better than the one I have in place, but if I didn’t go, I would not have been able to validate our current financial independence plan.

Also, I sent this booklet and a personal note to some family members and friends with my thoughts on using insurance as a saving and financing vehicle. I sent out ten packets including the letter, book, and a DVD. I received one phone message saying “thanks for the book”, and to tell you the truth with everyone being so secretive about their personal financial situations, even among the closest family members, I didn’t expect anyone to bring the subject up with me. I wasn’t looking for acknowledgement as a do-gooder or a financial expert, but as Theresa stated before I sent the packets out, “We have an obligation to introduce them to the concept. What they do after that is their own choice”.

Isn’t choice what got America into the mess it’s in now? We have too many choices, 24/7 choices, instant choices, and even more shocking – the choice to do nothing at all. But are we making the right choices in the right areas of our lives? Now I know why so many Americans are in trouble as they approach retirement. I’m amazed that those same people will get a 30-year mortgage because some financial guru told them a home was the “American Dream” and the best long term investment they could make. Those same people won’t consider purchasing an investment that returns more, guarantees more, provides more security, can be used as a vehicle to finance major purchases, and instantly creates a financial legacy.

My advice is to avoid this type of apathy, re-read this booklet, check out a few books from the library, go online to see why Americans can’t save enough for retirement, ask questions, and investigate the options you feel will work for you.
Will You Do What it Takes to Have Financial Independence?

I first heard about *Bank on Yourself* on an AM radio station. At first I thought it was just another investment scheme and almost didn’t look into it, but after I looked at the web site and read the online report, I knew it was a solid investment. I had already read about the benefits of an insurance product as a savings vehicle and applied it through my earlier purchase of the Navy Mutual Aid Insurance policies.

I wondered how many people heard that one radio ad (perhaps 10,000) and went to the web site (perhaps 100) and sent in a request for more information (perhaps 10) and actually purchased an insurance policy—perhaps one (me). Right now there are 9,999 people in my area who passed up a golden opportunity, who could have learned something about themselves, and could have been on the correct path to financial independence.

I almost didn’t call the *Bank on Yourself* Advisor. I had concerns about doing business with someone I hadn’t met in person, but I’m glad I overcame my concerns and after a few phone calls and several emails, I purchased a policy. I’m sure it will pay off now and in the future. It’s not the only pillar in our plan, but I can add extra money to my Bank On Yourself policy every year and open additional policies for Theresa and the boys in the future.

It’s up to *you* to practice some financial “tough love” to make your dreams and goals happen. I hope you overcome your concerns and find financial independence at a young age, so you can enjoy life on *your* terms.

*Written by Bob and Theresa Chambers for Robert, John, and future generations.*

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Are You Ready To Have Financial Independence and Peace of Mind?

If you’re ready to find out how the Bank On Yourself method can give you the financial security and predictability you want and deserve, take the first step right now by requesting a free Bank On Yourself Analysis. Simply go to [www.bankonyourself.com/analysis-request](http://www.bankonyourself.com/analysis-request) and enter the information requested, and you will be put in touch with a Bank On Yourself Authorized Advisor like the one Bob was referred to.