

INTRODUCTION



Stop Bleeding Cash! Understanding How Money Works

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Wouldn’t it be great to know exactly
what to do to stop the bleeding?”

Are you working so hard for your money that you don’t have time to figure out what to do with it? If so, you’re not alone. That’s how it is for many people. They have a vague sense that they’re bleeding cash.

And the problem is that they’re right.

Taxes. Credit card debt. Healthcare. Conflict Resolution. Business expenses. Insurance premiums. These are

the six most common bleeding points. In each of these areas, things are set up to favor the government, the lender, or the service provider. The deck is stacked in their favor, not yours.

You work so hard for the money you earn. Wouldn't it be great to know exactly what to do to stop the bleeding? To shift the situation so that you come out ahead, not the IRS, the insurance company, or the bank?

Over the course of this book, I hope to show you a true roadmap and how to stop the bleeding. I hope you will say what so many of my new clients have said over the years: "Why didn't I know that?" It's not that your intentions aren't good or that the people you have worked with in the past aren't trustworthy or capable. I just want to show you how to think outside the box and find the solutions that are hidden in plain sight. That's what this book is all about. This book will help identify and potentially solve many of the areas of finance that tend to baffle even the most sophisticated of individuals, business owners, and families.

To start with, let's talk about the "Accredited Investor. According to *Investopedia*, "An accredited investor is an individual or a business entity that is allowed to trade securities that may not be registered with financial authorities. They are entitled to this privileged access by sat-

isfying at least one requirement regarding their income, net worth, asset size, governance status, or professional experience.”

Accredited investors are classified by the SEC as individuals qualified to invest in complex or sophisticated types of securities. To become accredited, you must have an average yearly income over \$200,000 or work in the financial industry.

Because unregistered securities are considered riskier, since they lack the normal disclosures that come with SEC registration, sellers of unregistered securities are only allowed to sell to accredited investors who are deemed financially sophisticated enough to bear the risks.

Accredited investors are allowed to buy and invest in unregistered securities as long as they satisfy one (or more) requirements regarding income, net worth, asset size, governance status, or professional experience.

Many people, even those who have a lot of cash, don't have a clue how money works, even if they are accredited investors. What I have learned over the years, is that unless someone is born into wealth, they generally don't realize the difference, even when they achieve accredited investor status. Today's advisors are trained to either work with the accredited investor, or to stay away from them, and stick

with what they are familiar with.

Once you become accredited, the world of investments truly opens up for you, and we will go through those opportunities later in the book.

For those who don't know how money works, they are not able to plan properly, and they often fail to plan properly, ultimately ending up bleeding cash. They have little understanding of the Ticking Time Bombs in tax planning or how to leverage these assets properly. The proper way to leverage will make more money, more efficiently, while minimizing the risk. However, when used incorrectly, it can be the cause great stress and financial dysfunction.

In this book we will show you where you may be losing money and how to stop the bleeding. It all starts with understanding how money works. If you understand how money works, you can do what you need to do in advance to plan and maximize your spendability. While everyone's situation is different and needs to be looked at independently, many people don't realize that the most important thing about money is not how much you earn, nor the rate of return, nor the return of your capital. It's all about what the maximum spendability of your money is.

What is spendability? Spendability (a phrase I coined based on my experience) is the difference between someone

who makes a dollar and is able to keep or spend fifty cents of that dollar, versus somebody who makes a dollar and is able to keep or spend seventy-five cents of that dollar. It's not how much you make; it's how much of your money you can spend. How much of your hard-earned money can you actually spend? How much do you actually keep?

We want to make sure that you know how to keep the maximum amount of your money, to retain maximum spendability, whether you choose to spend it or save it is up to you. It is a matter of putting that choice in your hands, and not to leave it to the government to decide.

If you wind up giving all your money to taxes, to unnecessary or inefficient debt, to healthcare expenses, to business expenses, or employee related expenses (including poorly drafted 401(k) plans), and to insurance premiums, then you are not “maximizing your spendability.”

This good news is: you can keep and spend much more of the money you make simply through creative planning. The problem many people face is that they are so busy earning money they don't have the time to manage properly. Think of the height of the real estate market—around 2004–2007, before the market crashed.

You could buy a property for nothing down and watch it go up 25 percent each year. Who was making money

hand-over-fist during this period? Realtors.

Even now, when the real estate industry has come full circle, realtors generally work 24/7. When they're not hunting down listings, they're showing the sellers' properties. With their work schedule they couldn't possibly find the time to properly care for their money. They generally walk into their accountant's office on April 14th and say, "Here's all my information; what do you want me to do?"

"Well," the accountant might say, "let's take out \$25-30,000 and put it into a retirement plan through your 401(k)." And that would be it. It would be too late to do anything else. The realtor would be far too busy making money to save money, to plan to maximize their income.

In today's world, there are professions that are just like the realtors of the housing boom. Everyone is working 24/7. If you're successful, you have no time, because you're using all your time to work, or plan for work, or to think about how to get work done. It's the way of the world today: we don't have time.

This is a problem affluent people are often able to avoid. They have advisors who guide the growth, protection, and investment of their money. Having done some work with Hollywood Superstar Jennifer Lopez and her family, I quickly learned the challenges of navigating through a

plethora of high level, highly paid advisors. People other than the extreme affluents, on the other hand, may not be able to afford the advisors to do it for them. In my opinion, the advisors who work with the middle class like to keep things simple. This is good for the advisor, as the advisor doesn't have to learn all that much.

It's also good for the company that generates the product they sell. However, it is often a disadvantage to the client. You are taking on all the risk, while the advisor and the issuer are protected. Nobody is looking out for you.

I believe that people are just biased toward simple. If anything is complex, they throw their hands up because it takes too much time to figure out and it's too hard to explain. But the truth is, the world isn't always simple. Sometimes you need a little bit of complication, otherwise you may end up buying a product that benefits the company more than it benefits you.

In my practice, we find opportunities by using tools that other advisors in the market don't even know about. We start by building the "Roadmap", and then the pieces simply fall into place. It is not quite as easy as it sounds, but with proper planning and investigation, it works. This "Roadmap" is so much more than a snapshot of your finances. It helps identify problems, and points us in the

direction of the solution. What if conflict is front and center in your life. In business or at home, conflict rears its ugly head and slows everything to a crawl. By building a roadmap, it not only guides your finances, it opens the door to conflict resolution, at work and at home.

Many advisors, just like their clients, are working so hard earning money they don't have time to grasp these new concepts. Moreover, these solutions usually don't bring the advisor any money up front, so why would they bother with them?

In my practice, we look out for you. We find hidden opportunities that you didn't know were available to you. Every toolbox has unused tools; we want to help you find those tools and use them. We put all the solutions on the table, whether we make money from them or not.

I can show you how you can leverage your bank relationship by employing an investment and a checking account, or by utilizing your retirement plan to pay off your other debt. I've always taken what appears to be very simple, made it very complicated, and then broken it back down into simple pieces to attack it. I am very thorough in what I do because one size does not fit all. Clients trust me because I lay out a laundry list of what is going on with each individual client. I work hard to create a relationship

of trust with my clients. I find things that other people may miss, because I do discovery work (it's usually the last 10% of the data collected that makes the biggest impact).

One of the key tools I use in most financial cases is a mapping tool, called the Global Asset Positioning System (GAPS). The GAPS Financial Modeling System™ is an effective tool that lays out all of your assets and liabilities, opportunities and pitfalls, in a simple to read picture to know where you are at any time. If we update this every 6 months or once a year, it allows us to stay on top of things, as they seem to change frequently. It also creates a phenomenal tool to empower others to help manage your affairs, if and when you become less than competent.

I have over 30 years of experience in the investment services industry, but before that, I have always been a creative thinker and problem solver. When I got into the financial planning business, I found that I loved working with people. I loved creating solutions. I loved helping people with things they didn't know how to do.

About ten or twelve years ago, I went with one of my colleagues to visit an accountant who had just moved into a new office. We sat down in her conference room, and we all noticed something strange about the wall. It was a stucco wall with glass blocks. All of the glass blocks were in

perfect order, all grouped together...except for one, which was sitting all by itself. My colleague looked over at the accountant and asked, "Why is the wall like that?"

"I don't know," the accountant said. "I just moved in here. I've been trying to figure it out myself."

I looked over at both of them. "I understand it," I said. "That's the way I live my life."

The two of them looked at me funny. "What do you mean?" they asked. "What are you talking about?"

"That," I said, "is living outside the box."

I live outside the box because I love to do creative things. Some people are creative because they can do wonderful things with their hands, like building or remodeling houses. The last thing you ever want to see is me with a screwdriver in my hand! But I love the creative side of finance. I love finding solutions.

And this book can help you to find yours.