



**The Step-by-Step Investing Plan That
Doubles Your Portfolio Every Three Years
or Faster**

Overview

The Stock Investor's Blueprint has a single purpose: to provide you with a simple plan to double your portfolio every three years or faster. This plan is specifically for:

- Investors who need immediate and long-term growth of their portfolio
- Retirees who still need growth of their retirement portfolios
- Near-retirees who do not have enough money for retirement
- Working families who don't have enough time to manage their investments
- Investors who need a plan to follow to grow their portfolio faster

By the end of this report, our goal is to help you achieve financial freedom. You'll have a plan, a strategy and a unique approach to investing so that you never worry about your money again.

In the process, you will look at your portfolio in a new way – in a way that can allow you to consistently participate in the market's gains, while protecting your hard-earned money from downside risk.

You should know right up front that this report is NOT about:

- High Risk Investing
- Penny Stocks
- Weird Forex Schemes
- Crazy Crypto-currency Hype
- Real Estate Investing
- Difficult Options Strategies
- Day Trading

Or any other high-risk, get-rich-quick scheme out there.

We will be focused on investing in stocks, but perhaps not in a way that you might think. This report introduces you to a safe, simple style of investing that does not rely on the typical buy and hold models.

This report will give you a PLAN so you can accelerate the growth of your portfolio.

We'll provide you with a set of RULES to follow so that you learn how to automatically secure investing gains and prevent portfolio-wrecking losses.

Then, you'll learn a simple strategy to find the RIGHT STOCKS using a fundamental analysis tactic that's so simple, a third-grader could do it.

When you put the Stock Investor's Blueprint Plan together with our simple rules and with the Right Stocks, you'll discover why the Stock Investor's Blueprint is the only step-by-step investing plan that can help you double your portfolio every three years or faster.

Our goal (now your goal) is to teach investors how to build a million-dollar portfolio in LESS time than traditional investing.

If you're at all interested in having a simple plan to build your million-dollar portfolio, turn the page and let's get started.

Why You Can't Reach Your Goals

If you're an investor struggling to achieve your financial goals, know that you're not alone. As of January 2017, according to the Employee Benefit Research Institute, more than 52% of Americans have less than \$60,000 in retirement savings.

If you don't take action today, you risk outliving your money.

It's no secret that the 1999-2009 stock market collapses effectively killed the growth of investors' portfolios and worse, their confidence in investing in the stock market.

What isn't known is that, despite the stock market rebounding to all-time highs since 2009, most investors are still following the exact same investing models of the last 30 years.

Today, it's still passive investing, buy and hold, mutual funds, index funds, ETFs – none of which will help you reach your goal unless you're very, very fortunate or have 30 to 50 years until you need your money. We'll prove that shortly.

Buy and hold and other fund-diversification models cost you money because they DECREASE your annual rate of return. Over the last 15 years, the average annual return for an Index Fund investor is less than three percent per year (yes, 3% per year).

To briefly illustrate the problem of low annualized returns, consider this: You could invest \$10,000 every single year in the stock market and at 3% per year, it would take you more than 50 years to reach a million-dollar portfolio.

It's the costliest error you may be making today and it isn't YOUR fault. You're likely doing what so-called investing experts "tell" you to do. For example, Warren Buffett tells investors to just plow all their money into an S&P 500 Index Fund and they'll do just fine.

Except that isn't how Warren Buffett made his money, is it? Nope. He bought individual stocks. It isn't how Berkshire-Hathaway makes money, either.

And those "experts" make a critical mistake which can cost you thousands of dollars of invested capital: They ASSUME that the markets will provide you the same average return per year (usually 7% per year).

They fail to account for reality: the actual returns since 2000 are 3% per year. And, an average annual return decreases over time when following passive investing or index fund models.

If you want to provide for yourself and your family, you need to learn how to INCREASE the annual rate of return on your portfolio. Otherwise, you can't reach your financial goals.

We'll explain this and show you how to increase that rate of return, safely and simply, in a few moments.

Like most investors, however, you probably don't have 50 years until retirement and therein lies one of the hidden dangers for investors. It's a problem they're not being made aware of and certainly not being taught how to solve.

It's called the Retirement Gap.

The Retirement Gap: The Biggest Problem Investors Face Today



If you're an investor who is 40 years or older, you're likely facing a frightening problem: What *Forbes Magazine* called, "*The Greatest Retirement Crisis in American History*."

While *Forbes* talked about how most retirees will have to work later in life, they missed the most critical part of the story.

It's called the Retirement Gap—and if you don't know what YOUR retirement gap is you are at risk today of not having enough money in your retirement years.

What is the Retirement Gap? It is the difference between the amount of money you currently have saved for retirement and the amount of money you will need to enjoy a secure retirement.

Let me focus on one word there: secure.

This report is not about owning vineyards in France, private yachts or islands in the Bahamas. This report is about helping you achieve a level of financial security so that you are not worried about your money or your lifestyle in later years.

If you don't make a few changes to your portfolio immediately, you risk:

- Relying on Social Security in retirement, assuming it still exists.
- Being a financial burden on your children because you can't afford simple things.
- Being faced with rising medical expenses that you can't afford, putting your health in serious danger.
- Being forced to work into your 70s and 80s because you won't have enough money to enjoy retirement.

That's retirement. If you're a younger investor, you risk:

- Not having the money to put a down payment on a home
- Not having enough money to survive a lost job, failed business or forced early retirement
- Not having enough money to put your children through college
- Not having enough money to avoid a disastrous health crisis

That's the "BAD" news. The truth is that the average portfolio when broken out by age brackets shows worrisome trends:

Estimated Existing Average 401k Balances	
Age Group	Amount
Gen Y (22-34)	\$16,500
Gen X (35-49)	\$63,600
Overall Average	\$101,650
Baby Boomers (50-67)	\$126,900
All 55 & Over	\$150,300
Source: Fidelity and Vanguard	

According to Fidelity and Vanguard, these are the average 401(k) balances by age group. The average retirement portfolio, by every measure I've found, is between \$50,000 and \$100,000 for older investors.

For younger investors, however, you're in serious trouble. Gen X, which bore the brunt of the financial crisis moreso than Baby Boomers, has too little money reserved and too little time to make it up.

No matter which age group you are in, you do not have enough money.

If you're worried that you won't have enough money for retirement or if you suffer sleepless nights tossing and turning over your future financial security, you can see that you're not alone.

As of 2017, Investors across the U.S. and many other countries remain far, far behind their financial goals.

We pointed out that currently, 52% of Americans have \$60,000 or less saved for retirement. Of that 52%, nearly half have \$10,000 or less.

Let's put that into a household income context so you see how significant this problem is for potential retirees and current retirees (then, we'll show you how to solve the problem).

The average household income in the U.S. is about \$52,000 per year. To maintain an average standard of living in retirement, consider this:

If you retire at 67 (the new retirement age), and live another 15 years, that means you'll need at least \$780,000 for retirement (that's \$52,000 multiplied by 15 years).

That's \$780,000... just for retirement.

That doesn't account for things like putting kids through college, having a rainy-day fund, buying a house, travel or taking vacations.

It doesn't provide enough security for rising medical costs, despite government-funded healthcare. *This one category, alone, can destroy your nest egg at any point in your life!*

The AARP recently estimated retirees should expect to need at least \$240,000 to cover future medical expenses—over and above Medicare/Medicaid!

Worse, that \$780,000 provides you no protection against another financial collapse, stock market swoon or any other of life's financial surprises. How many investors lost half their money in 2008-09?

No wonder many investors are nervous about their future.

The Retirement Gap means the average investor today is more than \$700,000 BEHIND their financial retirement needs.

To better understand your Retirement Gap, you should use the equation below, or visit our Retirement Gap Calculator web app.

Remember that the Gap is the difference between how much money you have saved for retirement right now and how much money you believe you'll need in retirement.

Here's how that works:

$[\text{Current Portfolio Value}] - [\text{Retirement Amount Needed}] = \text{Retirement Gap}$

So, if the current value of the average portfolio is \$50,000 and the average investor needs \$780,000 for retirement, then the Retirement Gap calculation looks like this:

$[\$50,000] - [\$780,000] = \mathbf{\$730,000}$

The average investor has a retirement gap of -\$730,000.

That's how far behind saving for a secure retirement most investors are today and it's how much they need to "make up" before reaching retirement.

More than any other issue, it is the Retirement Gap, the "missing money," where most investors are misinformed or unprepared to survive their later years because the investing tactics you're told to use today CANNOT get you there.

Clearly, it isn't hyperbole to say that most Americans will be poor in their retirement years.

More and more headlines in today's media trumpet the need for a million dollars or more to have a secure retirement. Some even claim that a million dollars alone still won't be enough.

You may be worried that you'll never get there because the stock market is rigged, banks are run by criminals, Social Security is a Ponzi scheme destined to collapse... the list goes on.

We're here to tell you that you can have a million-dollar portfolio. You can safely and securely build a portfolio that will outlive you.

In this brief chapter, we've established the need for a Million-dollar Goal and explained the Retirement Gap and have shown you how to know what your Retirement Gap is so you can learn in the following chapters how to overcome that gap and build a secure financial future for yourself and your family.

In the next chapter, we'll show you why traditional investing strategies **will not** get you to a million-dollar portfolio. It's important to understand why because when we unveil the new strategy investors should use, it will make immediate sense.

Then, we'll provide you with the Stock Investor's Blueprint Plan to help you double your portfolio every three years or faster.

The Myth of Index Funds and "Safe" Investments

If you're like most investors or traders, you're well-versed in the adage of buy and hold. You know the story: The financial pros tell you if you had left your money in the market from 1929 until today, you'd be wealthy many times over.

Wild guess: You haven't had your money in the market since 1929, though, have you? We certainly haven't.

But what if you started investing back in the 1990s, which is precisely when most investors today began plowing their hard-earned money into mutual funds and index funds.

You'll probably be surprised to learn that, despite the meteoric rise of the stock markets over the last 30 years, your money ACTUALLY grew at about 3.4% per year.

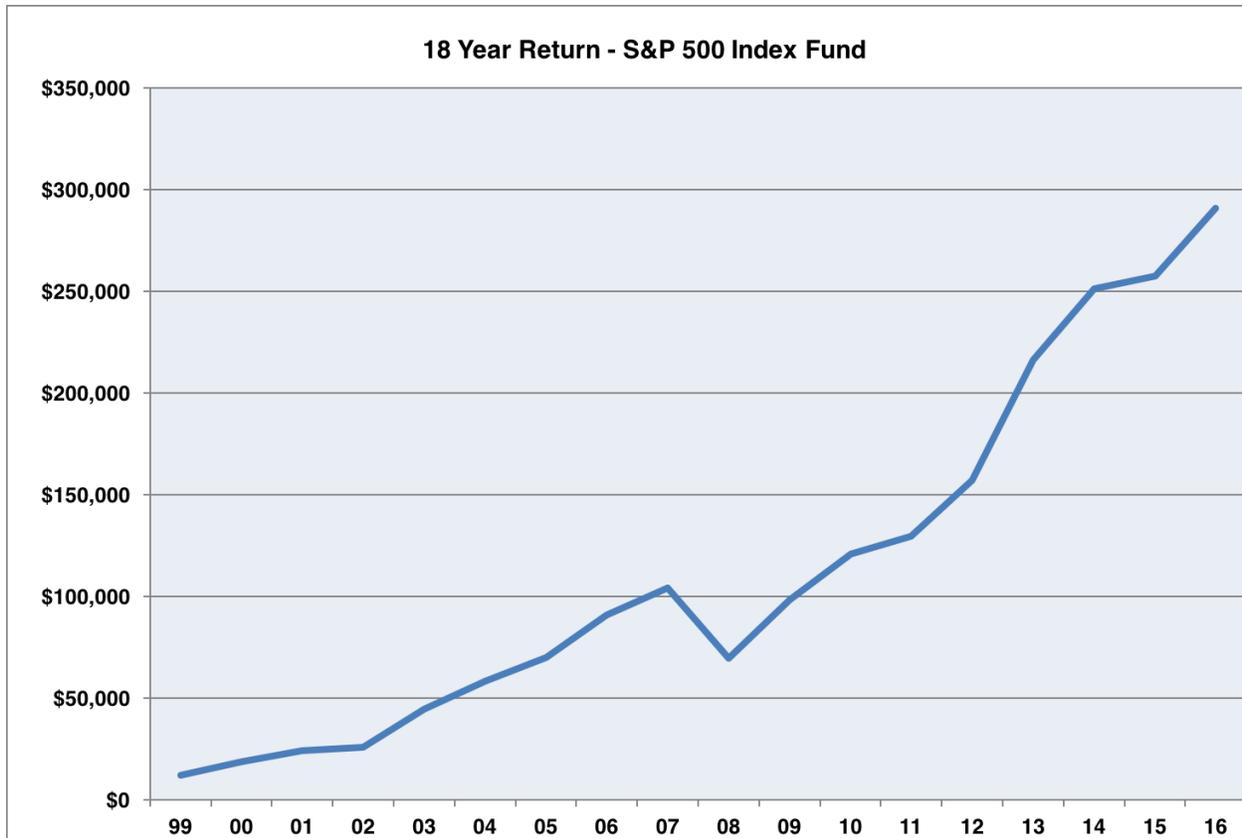
3.4%!

Let's illustrate that and show you why index funds are the great lie being told to the investing public. Then, we'll show you an alternative approach that allows you to participate in the market's gains while still protecting yourself from downside risk.

First, by most accounts, 1999 is the year when billions of dollars began flowing from individual investors into the stock markets—just prior to the dot.com collapse and the eventual recession of the early 2000s that followed.

Let's take a look at the reality—not the myth—of index funds.

This chart shows you the growth of your money over the last 18 years if you had invested **\$10,000 EVERY YEAR** into an S&P 500 Index Fund.



Over the last 18 years, if you put \$10,000 into an S&P 500 Index fund at the beginning of each year, your annualized rate of return would be just 3.4%.

That's how little your money would have grown, even though the S&P 500 has gained more than tripled in that time.

You invested a total of \$180,000 over the 16 years.

At the end of 2016, your total investment was worth \$290,940. That's an overall return of 61.6% divided by 18 years.

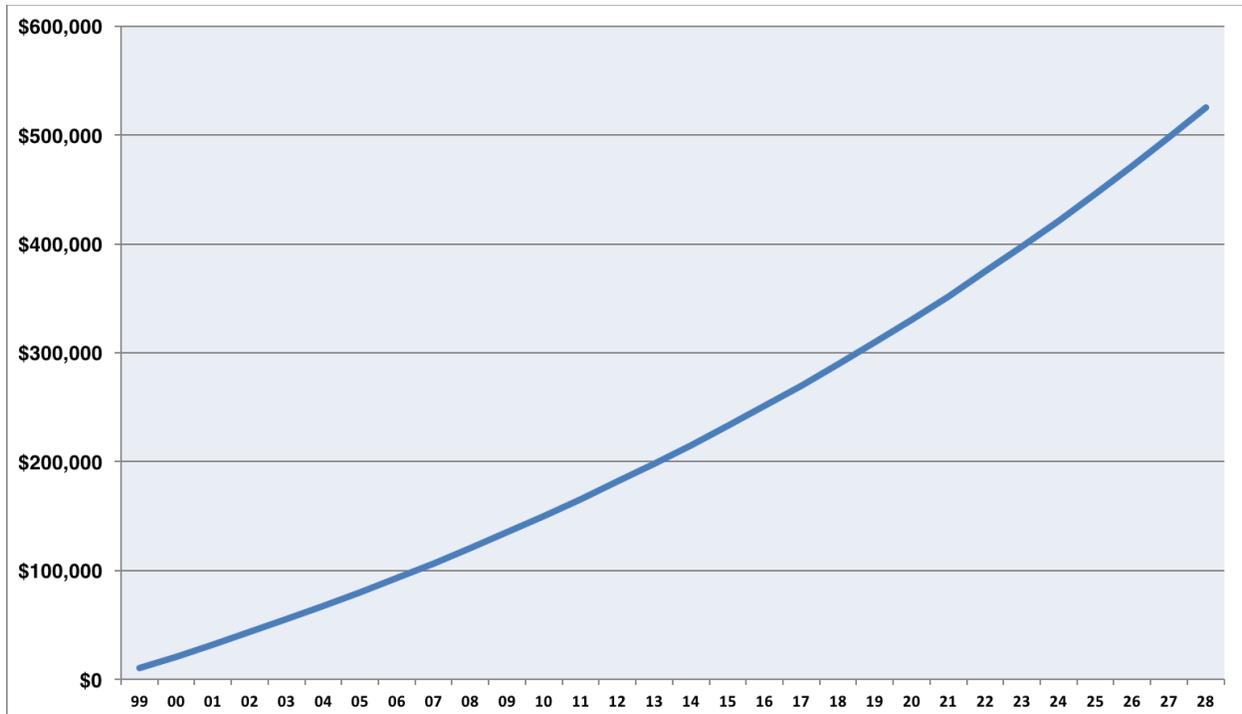
You should ask yourself this question: If the S&P500 tripled in those 18 years, why didn't your money triple?

Because your **average annualized rate of return was just 3.4%**.

That won't get it done for retirement. Of course, this also assumes that you had the stomach to sit tight in 2003, 2008 and 2009 when the S&P lost significant value (most investors didn't).

The bottom line is this: Index funds will not grow your money fast enough to reach your financial goals.

Let's take a look at that next 15 years...(please understand we are using linear math here to project portfolio growth).



If you continued to add \$10,000 to your portfolio every year for the next 15 years, and you averaged the same 3.4% return per year, your portfolio would be worth \$525,079 after investing \$10,000 each year for **33 years**.

It still doesn't cover your retirement needs – your retirement gap is smaller now at - \$255,000 —and you're barely halfway to that million-dollar goal.

At that 3.4% annual rate of return, **it would take you 44 years to reach a million dollars.**

The bottom line is this: Index Funds will not help you achieve your financial goals.

The reality is this: most investors don't have 44 years.

This does not mean you should NOT use index funds—it does mean that index funds **should not be the only investment you make in the stock market** and I would argue

Index Funds should represent the SMALLEST part of your portfolio (right up there with Treasuries, Bonds, Savings).

The reason Index Funds (and by extension Mutual Funds and ETFs) can't help you achieve your goals (unless you magically drop \$100,000 per year into them) is because of the following:

Let's do this in a humorous way:

If I told you to buy 200 stocks that were guaranteed to LOSE money AND to HOLD those stocks ALL YEAR...

You'd call me a moron, wouldn't you?

Yet, in an average year, 40% of stocks in any of the three primary indexes, The Dow, S&P 500 and the NASDAQ, **LOSE MONEY**.

For the S&P 500 that's 200 stocks...losing money.

So, if you hold an index fund, you're **holding 40% losing stocks**.

Make sense?

Didn't think so.

That's the key problem with an Index Fund. You are ALWAYS "buy and holding" losing stocks and that's one reason why your returns get depressed.

There's a second problem:

You don't get full value of stocks that go UP in price. Not even close.

Each primary index is a weighted index. The largest stocks represent the highest weighting of the index and the smallest stocks represent the lowest weighting of the index.

Which – putting this in simple terms – means this: If Apple rises 10%, the value to the index is about 1/2% (one-half percent), so while your investment in the Index Fund gets a positive return, it's barely one-tenth of that actual return.

BUT...if the 500th stock in the S&P 500 rises 10% in price...you get only .006% of that return.

You never get full value for the increase in a stock's price.

That's even worse if a lower-weighted stock rises 50% in a single year. You don't get the full benefit of that increase. Not even close.

It can be argued that the reverse is true (this is what the mainstream media and blow-dried pundits will tell you): that your RISK is limited, too.

Except it isn't. Your risk on any single stock is limited, yes. But you don't hold a single stock, you hold the entire index.

So, in the 2008-09 collapse (and please don't be afraid of another one), the ENTIRE S&P 500 lost 42% of its value.

Does that look like limited risk? Nope.

If you think stocks are dangerous, you may be shocked to discover they're less dangerous than bonds, CDs, and savings accounts—all of which have crashed far worse than stock market (and at least the stock market has recovered).

Look at these disturbing numbers for "safe" investments: Interest rates on CDs and savings accounts have crashed by 77% since 2008... that's in the last 10 years.



How about U.S. Treasuries? Safest investment on the planet, right?

Not if you need income from your bond holdings – Treasury yields have fallen by more than 44% in the last ten years:



Along with index funds, savings accounts, CDs and now bonds, all of the traditional safe havens for your money are providing you lower and lower returns.

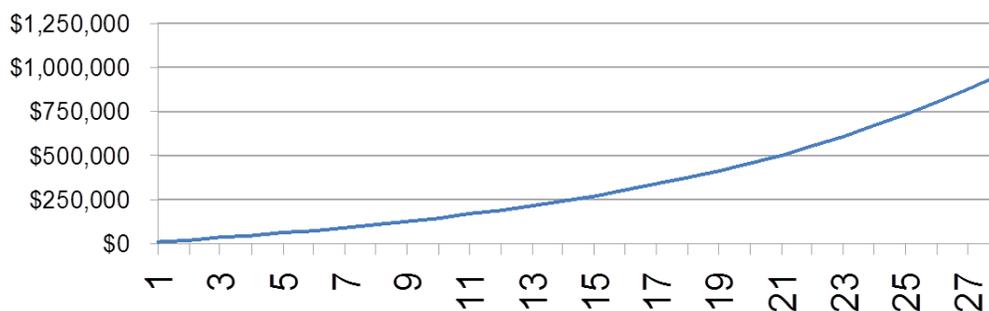
Maybe you believe all the rosy forecasts out there that claim investors can expect to get 7% returns per year from Index Funds ... maybe THAT will get you to your goal.

Not anytime soon.

At 7% per year, you could throw \$10,000 every year into the stock market and it would take you THIRTY years to reach a million-dollar goal. That also assumes the market NEVER goes down in a single year

Realistic? Of course not.

Here's a chart showing you that it takes 30 years to reach \$1 million by putting \$10,000 into the market every year and getting an average return of 7% per year.



You'll reach that million-dollar goal only if you put \$10,000 into the stock market every year and only if you get that 7% per year.

Not only are there too many ifs in that scenario, but the reality is this: most investors simply do not have 30 years to wait.

We're a long way from a million bucks. How will we reach that goal?

In order to get there, we're going to be blunt: **You must invest in individual stocks again.**

Put simply, you don't have the same low-risk choices to balance your portfolio that you would have had five or even ten years ago, and no wishful thinking will bring those days back.

Which means you have two choices:

1. Continue to accept very low returns for the lowest risk assets and "hope for the best," or...
2. Change the way you approach investing in individual stocks.

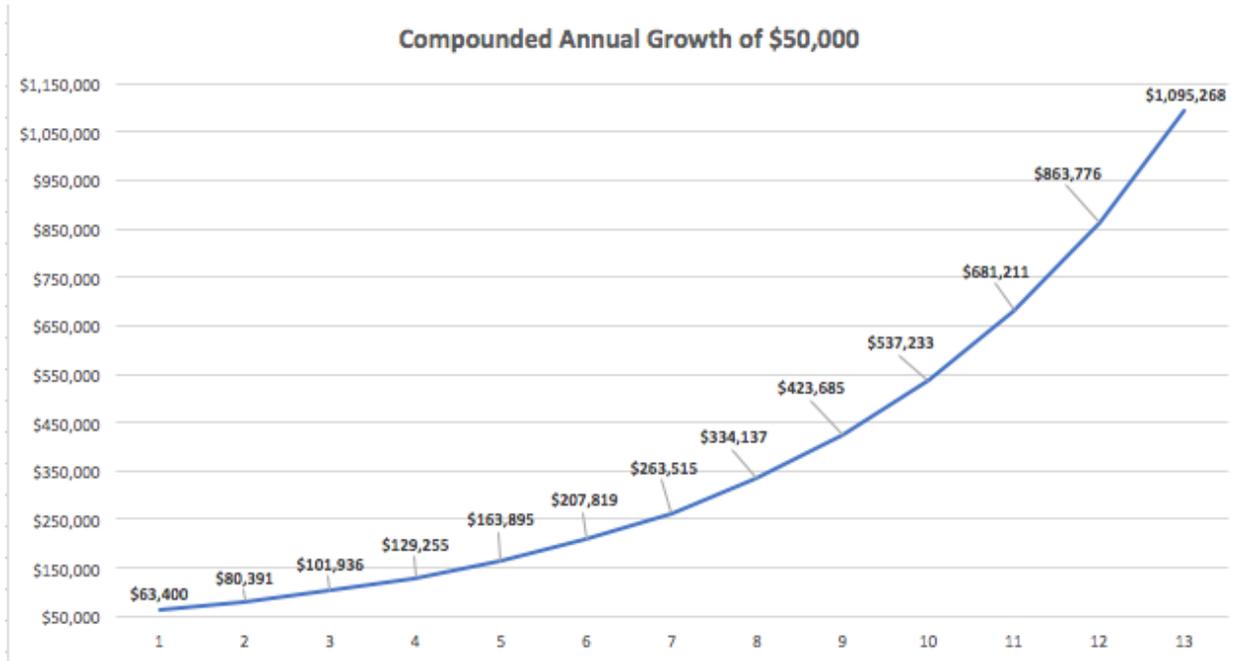
That means accepting **some risk** is necessary. We'll show you to limit your risk so you'll never be in danger of losing it all when you learn our approach.

Time is working against most investors now. Those typical "invest for 50 years models?" We're willing to bet you don't have 50 years. You probably have closer to 10 years, 5 years or no years until retirement.

Which is why what you're about to learn will be groundbreaking.

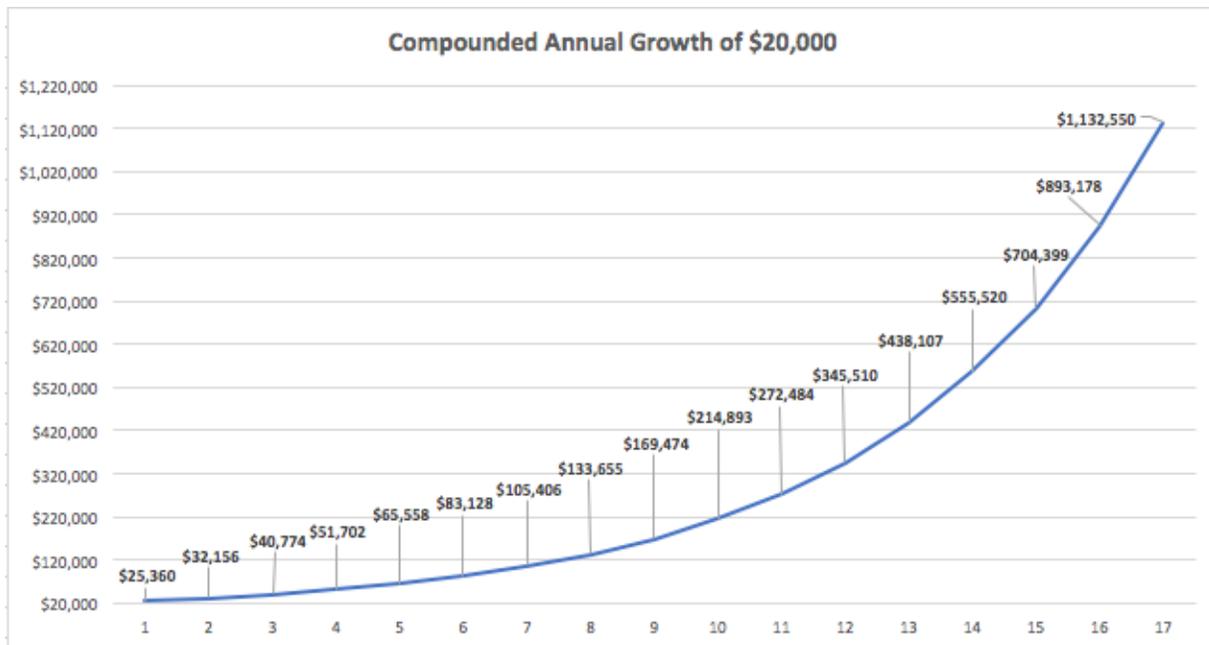
How to Double Your Portfolio Every Three Years or Faster

If you are willing to change the way you approach investing in individual stocks, you will discover a smarter and simpler strategy to owning a portfolio that could look like this:



That's a million-dollar portfolio in about 13 years, starting with \$50,000.

Starting with less money? Here's the same result, in 17 years, starting with \$20,000.



Does it take a little longer? Yes, but remember that most investors will never reach a million dollars. And those who do, will take 30 to 40 YEARS to get there.

What you're getting in the Stock Investor's Blueprint is an investing strategy that helps you get results faster than typical investing strategies without increasing your risk.

Sounds fishy, at first, doesn't it? Please be skeptical. Seriously.

Allow your skepticism at first to let you say, "I want to believe you, but I've been sold those "bridges in Brooklyn" before."

Then, let me show you how simple math and basic probability can turn your skepticism into belief.

Let me give you an example of the simple math.

More importantly is this: Note the highlighted **End Values**. This shows you how to double the value of your portfolio every three years (and you could potentially do this faster, too).

Year	Start Value	End Value
1	\$ 20,000	\$ 25,360
2	\$ 25,360	\$ 32,156
3	\$ 32,156	\$ 40,774
4	\$ 40,774	\$ 51,702
5	\$ 51,702	\$ 65,558
6	\$ 65,558	\$ 83,128
7	\$ 83,128	\$ 105,406
8	\$ 105,406	\$ 133,655
9	\$ 133,655	\$ 169,474
10	\$ 169,474	\$ 214,893
11	\$ 214,893	\$ 272,484
12	\$ 272,484	\$ 345,510
13	\$ 345,510	\$ 438,107
14	\$ 438,107	\$ 555,520
15	\$ 555,520	\$ 704,399
16	\$ 704,399	\$ 893,178
17	\$ 893,178	\$ 1,132,550

You're probably accustomed to the hype of other services and publishers touting their HUGE returns on stocks they recommended 10, 15 or 20 years ago.

And if we're being honest together here, we would both LOVE to find the next Apple, Amazon, Google or other high-flying quadruple digit return stock.

What I'm telling you is that **when you learn this new approach to investing, you won't have to.**

That's because you'll find your portfolio growing faster and carrying less risk.

Now, we expect you to be a little skeptical, but the purpose of this report is to show you HOW it can be done.

First, it's done by making one simple change in how you think about your portfolio.

We know many are concerned (rightly so) that stocks have gone up so far, so fast since in the last few years. You may think that we're in another bubble. Perhaps you don't believe stocks can keep going higher. Maybe you're worried that you're about to "buy the top" only to "sell the bottom" yet again.

We have the same concerns. That's why what you're about to learn is incredibly powerful for you, because if you can follow some simple rules, you'll discover:

- It doesn't matter whether the market is rising or falling—you'll have a strategy to profit in any market condition because you are only concerned with one outcome.
- You'll never need to worry about buying the top of the market, because our "one number" strategy ensures you own the right stocks at the right time with a specific profit objective.
- You'll need LESS TIME to manage your stocks because you'll use a simple set of rules to make decisions before you buy or sell any stock.
- Your portfolio will grow faster because you'll do what typical investors do not do: compound your money faster.
- Using our unique investing plan, your portfolio is protected—automatically shielded—against bear markets and huge losses. You'll see why and how in this report.

This report focuses on investing by combining a principle called **Hyper-Compounding** with **short-term** investing in stocks to accelerate the growth of your money. It breaks all of the so-called rules by giving YOU control of your money.

The Stock Investor's Blueprint: The Plan

In the last chapter, we proved that most investing strategies provide you little safety and very slow growth and very low returns. Now, we're going to show you what you can do to achieve safe, accelerated growth of your portfolio.

Right away I want to define Short-term Investing. I do not mean day-trading. Short term investing in stocks means two things:

1. You plan to hold the stock for 30 to 90 days, but no longer than one year.
2. You own the stock **only for the purpose of achieving a specific profit objective**, at which time, you sell the stock.



Depending upon the total value of your portfolio, you can and should have investments with different time horizons.

Meaning, you may own shares of Apple that you do not plan to sell. That's a Long-Term Investment.

You may hold Two-Year US Treasury Bonds, or a 5-Year CD. That's a medium-term investment.

Short-term investing is the new approach which allows you to capture consistent, realistic gains frequently and turn those gains into more money, faster because you are **COMPOUNDING** your gains.

Typical investors do NOT compound their gains. That's why the Average Annual Returns for Index Funds are so low – it's the result of "buy and hold" mentality.

Remember, in the Index Fund chart you just reviewed, an S&P 500 index fund barely returned 3% per year—even though the S&P was up 15-30% during some of those years!

That's the big lie about investing: yes, your portfolio grows, but without compounding that growth, you are depressing your annual returns.

Your Most Important Number as an Investor: Annualized Rate of Return

That brings us to an important lesson. You may want to write this down:

The key to successfully growing your portfolio is determined by increasing the annualized rate of return on your money.

Here's an example:

You buy a stock for \$10 and 2 years from now you sell it for \$20. Your return is 100% on the stock. But your ANNUALIZED return is **50%**. You've decreased your annual return.

If it takes three years for that stock to double, your annualized return falls to 33%.

This is true of investing money in Index Funds, as well. Please note in the following example, I am not cherry-picking my data. I'm using this strictly as an example.

If you had invested \$10,000 in the S&P 500 in January 2015, over the last three years, your money would have grown as follows:

2015: 1.38%
2016: 11.96%
2017: 14.24%

And would be worth \$12,966 in late 2017. That's a total return of 29.66% over the three years, but it is a 9.88% annualized return.

As an investor, you need to increase your annual rate of return and you cannot do that with buy and hold investing because it decreases your annual rate of return.

That's caused by "holding" investments and I'm not saying you shouldn't have long-term investments as part of your portfolio. Instead, you will be able to use PART of your portfolio to get faster growth of your money while still being able to leverage long-term investments (if you want to).

To get that faster growth of money, even in just part of your portfolio, you need to compound the growth of your money.

Compounding, quite simply, works like this:

You invest \$100.

You make 20% on that investment.

You now have \$120.

You invest that \$120 and make 20% on that second investment.

You now have \$144. The extra \$4 there is the compounding effect.

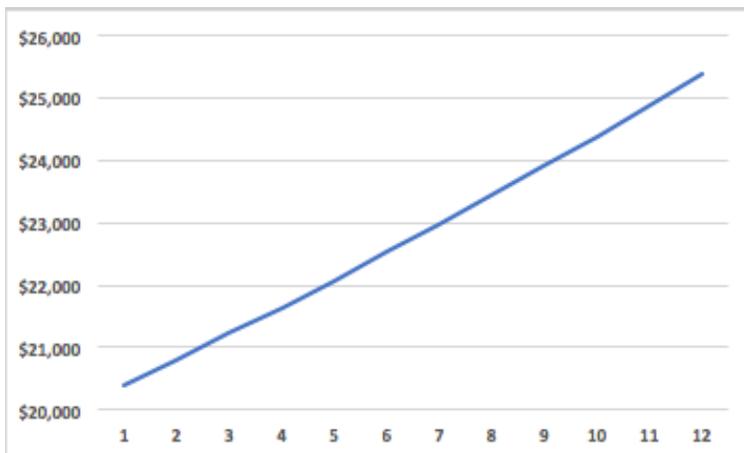
Just like compound interest from a bank, you can apply compounding to your investing strategy (and I believe you should). The big change for you today, however, is called Hyper-Compounding.

The Hyper-Compounding Principle

Hyper-compounding is a strategy to increase the annual rate of return on your money by compounding your gains **monthly**.

It is the only logical step for investors who need faster growth of their money, but still need to maintain safety in their portfolio. I'll explain this in a moment.

First, let us demonstrate the power of hyper-compounding for you.



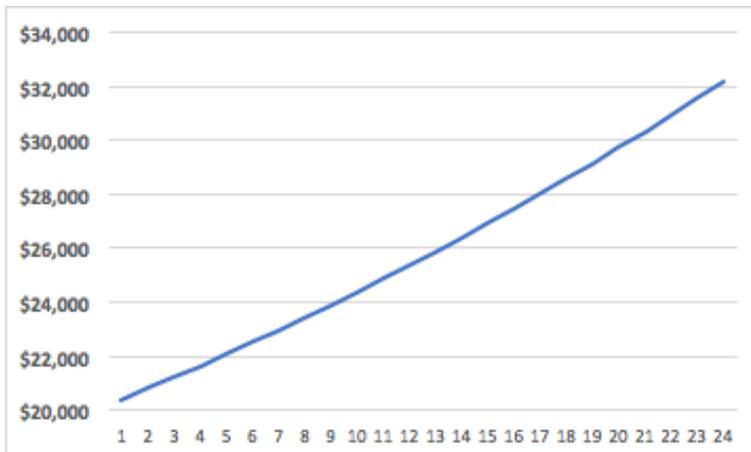
Let's assume you're starting with \$20,000 and you get an average Return per Month from your investments of 2%.

Not per year, but **per month**.

After 12 months, you'd have \$25,365.

That's an Annual Return of 26.8%.

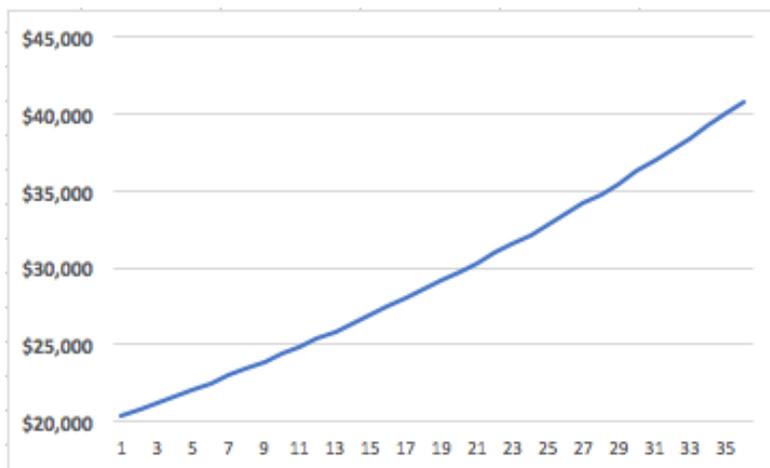
We told you the key is to increase your annual rate of return, so that 2% per month is the compounding strategy. Here's the "hyper" part of the strategy:



If you follow that same plan for a **second year**, starting with your \$25,365 and still generating that 2% return per month, your money would grow to over \$32,169 at the end of the second year.

Now your **annualized rate of return is over 60.8%**.

Now, do that for one more year – just like we used three years in the S&P 500, we'll do so here, too:



If you follow the plan for a third year, starting with your \$32,169 and continuing to generate 2% per month, your money would grow to \$40,798 at the end of year three.

Notice that in just three years, you have **DOUBLED** your money—but you **never added a single penny**.

And, you have increased your annual rate of return yet again from 60.8% to 104%.

Three important lessons:

1. You need only **AVERAGE** 2% per month to yield results such as I've shown you here. That means some months you can (and will) get higher returns and some months you can (and will) get lower returns.
2. If you have a larger portfolio (\$100,000 or greater), you do not need to use all of your money to capitalize on this approach. In fact, I don't believe you should. I believe you should use only a part of your portfolio.
3. If you have a smaller portfolio - \$10,000 to \$50,000, you'll likely need and want to use most to all of your money to get accelerated growth.

Now that you've seen the power of hyper-compounding in action, let's get into the simple details behind the Stock Investor's Blueprint.

Step one is to determine how much money you can start with. Remember, you're investing in the **short-term part of your new portfolio first**.

The Stock Investor's Blueprint Plan

Step 1: Determine Your Short-term Investing Capital Base

To start this plan and to shift your investing goal to higher returns, you first need to know how much money you will begin with. Here are simple guidelines:

Our recommended starting base is \$20,000, then follow these simple steps:

- Divide your capital into **20 equal-weighted capital "buckets."**
- Each bucket holds one stock, for a maximum of 20 stocks.
- This step reduces your overall risk exposure; it ensures no single stock can hurt your portfolio.

In a moment, I'll show you why holding more stocks makes more sense, both with the Stock Investor's Blueprint plan and for risk management reasons.

For now, here are some potential "how much money do I use" guidelines:

For investors with less money, you can begin with either of the following steps:

If you have \$10,000, use either \$500 per stock, or start with 10 stocks at \$1,000 invested per stock.

Your most important focus needs to be on cost of investing; that is the commissions you pay for buying and selling individual stocks. Smaller portfolios are always at a disadvantage because the cost of trading is a higher percentage of your money.

For example:

An investor buying \$500 of a single stock at \$6.95 commission is paying 1.4% of their invested dollars in cost; that cost **DOUBLES** when you sell the stock, to 2.8%.

An investor buying \$1,000 of a single stock, however, pays .7% (or a total of 1.4%).

That's an important consideration when investing. The cost involved – I'll details steps to reduce cost later, but for smaller portfolios, those at \$10,000 or less, this is the reason I suggest using \$1,000 per stock.

Keep in mind, too, that what this means is within 3 years – and it could be faster – you'll double your portfolio to \$20,000 and be able to go forward with this plan in full.

Total Portfolio Value	% Allocation Short-Term	Short-Term Portfolio	Actual Allocation Per Stock
\$10,000	\$1,000 Per Stock	(varies)	\$1,000
\$20,000	100%	\$20,000	\$1,000
\$50,000	40%	\$20,000	\$1,000
\$100,000	20%	\$20,000	\$1,000
\$250,000	10%	\$25,000	\$2,500

The numbers above are starting points for any portfolio size; our recommendation is to begin with \$20,000 for the following reasons:

1. It limits the risk to a larger portfolio
2. It provides you time to learn a new style of investing without committing all of your money
3. It allows you to get maximum returns from fewer positions to achieve the 2% goal per month

For smaller portfolios, this amount may represent a larger percentage or all of your portfolio, however, your goal is to get faster growth of your money without significantly increasing your risk.

At first, you may think that's not possible, but in our next sections we'll explore how you can reduce your risk.

As well, given the goal of hyper-compounding 2% per month (on average), this starting point means you can achieve the portfolio growth objectives we have laid out in less than half the time it takes typical investors' portfolios.

That goal: To Double Your Portfolio Every Three Years or Faster

This example, which I shared with you earlier, shows the growth of a \$20,000 portfolio over 17 years using the 2% per month Hyper-Compounding Principle.

Year	Start Value	End Value
1	\$ 20,000	\$ 25,360
2	\$ 25,360	\$ 32,156
3	\$ 32,156	\$ 40,774
4	\$ 40,774	\$ 51,702
5	\$ 51,702	\$ 65,558
6	\$ 65,558	\$ 83,128
7	\$ 83,128	\$ 105,406
8	\$ 105,406	\$ 133,655
9	\$ 133,655	\$ 169,474
10	\$ 169,474	\$ 214,893
11	\$ 214,893	\$ 272,484
12	\$ 272,484	\$ 345,510
13	\$ 345,510	\$ 438,107
14	\$ 438,107	\$ 555,520
15	\$ 555,520	\$ 704,399
16	\$ 704,399	\$ 893,178
17	\$ 893,178	\$ 1,132,550

You can see that this money-management approach allows you to double the value of your portfolio every three years (it may happen faster, it may happen slower).

This also shows you why you don't have to use your "entire" portfolio to get explosive growth if you have the patience to let the math work in your favor.

And, if you have less money, it also shows you how quickly your money can grow without having to use high-risk investments or trading strategies which have significantly higher loss rates.

A note for investors in retirement: you may choose to use more capital as a starting point.

Even a \$100,000 portfolio is investing just \$5,000 per stock position, so you certainly have capacity for rapid growth, while still limiting your risk.

The biggest point which I haven't addressed: **You never need to ADD money to this portfolio to get that growth.**

The example I used earlier with Index Fund investing, the only way you increased your returns (average annual) was by ADDING \$10,000 per year to your portfolio.

Reality: I am using both 'average' and linear math here to illustrate HOW to be able to double your portfolio in three years or less. You will experience months of varying returns – some higher, some lower.

It is unrealistic to expect either of the following to be true:

- That every stock you buy will be or must be a winner or a gain
- That every month in the stock market will produce a positive return

In both cases, when you use the model we're building for you here you will discover that:

You don't need every stock to be a gain (although, yes, it would be helpful)
 You don't need every month to produce a positive return as long as you limit losses, which we'll cover in a moment

Here's an example of a portfolio starting with \$20,000 and which has four months of negative returns between -1% and -3%, and 8 months of gains with returns between +2% and +5% (all realistic numbers):

Month	Start Capital	Return	End Capital
1	\$ 20,000	1.02	\$ 20,400
2	\$ 20,400	0.99	\$ 20,196
3	\$ 20,196	1.03	\$ 20,802
4	\$ 20,802	0.99	\$ 20,594
5	\$ 20,594	1.05	\$ 21,624
6	\$ 21,624	0.98	\$ 21,191
7	\$ 21,191	1.03	\$ 21,827
8	\$ 21,827	1.02	\$ 22,263
9	\$ 22,263	1.04	\$ 23,154
10	\$ 23,154	0.97	\$ 22,459
11	\$ 22,459	1.02	\$ 22,908
12	\$ 22,908	1.05	\$ 24,054
Total Return			20.3%

With the average S&P 500 return being less than 4% per year, this portfolio, with mixed results still provides 5 times the annual return, with a total return of 20.3%.

What this should show you is that you can take a slow and steady approach to building wealth; that one bad month (or even one bad year) won't prevent you from reaching your goals.

(note for table: .99, .98, .97 returns equal negative returns of -1% to -3% respectively).

Also, please note that I'm showing you this to help you have realistic expectations. Just as markets don't always go "up" neither do portfolios. This again is the importance behind targeting returns per month and compounding them.

Equal-Weighting Your Portfolio Dollars

A lesser known tactic for money management and risk management is to equal-weight the dollars in your portfolio across your stock holdings, as opposed to buying "x" number of shares of individual stocks.

One of the most common complaints I hear from investors has to do with buying "odd lot" shares. That means buying, for example, 45 shares of a company instead of 50 or 100 shares.

The purpose behind equal-weighting your capital is two-fold:

First, as we've demonstrated already, you are after a PERCENTAGE gain so you can hyper-compound the growth of your money. This cannot be understated.

Worrying about whether you own 50, 100 or 200 shares of a stock is less relevant than the actual percentage gain on that stock and your portfolio in a given month. Yes, more shares owned means more gains, but it also means significantly higher RISK.

Second, equal-weighting your invested capital protects your total portfolio from significant losses, which I'll show you in a moment.

What is Equal-Weighting?

It means you will hold a specific number of "stocks" – be it 5, 10, 20, 50 – and divide your capital equally across those stocks.

Simple example:

A \$50,000 portfolio holding 20 stocks (at the outset) would invest \$2,500 per stock held without regard to the number of shares held.

Our objective in equal-weighting is for the stocks that are positive to outperform any stocks which are negative, giving us a positive monthly return that we can then compound in future months.

This is the central idea, when you combine the elements of the Stock Investor's Blueprint: you are not a long-term buy and hold investor with this plan, or with the part of your portfolio you use with this plan.

Instead, you are an investor who wants consistent, realistic and higher-than-average growth of your money.

Let's use a simple example to illustrate:

Your total stock portfolio (capital) is \$50,000.

You own 100 shares of an \$80 stock = \$8,000 capital invested.

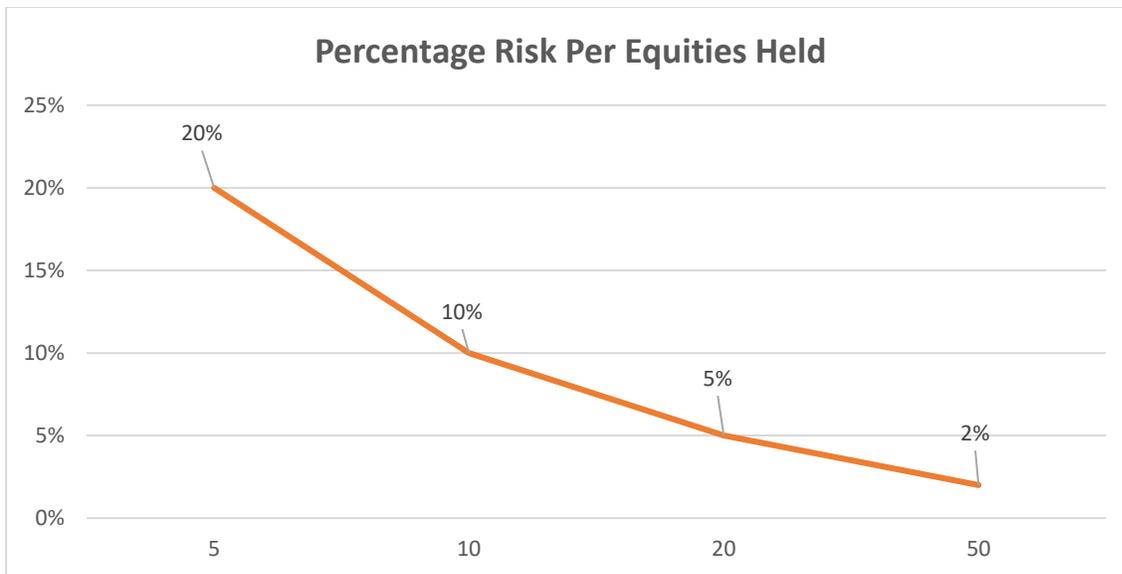
Your stock falls 10%. Your capital loss is \$800. That represents 1.6% risk (loss) to your total portfolio.

Equal-Weighted Dollars

A \$50,000 portfolio holding 20 stocks allocates \$2,500 per stock.

If any stock falls 10%, you lose \$250. That represents one-half of one percent (.5%) risk (loss) to your portfolio. (\$250 divided by \$50,000)

To better show you why equal-weighting your capital is more important to protecting your portfolio, let's examine two simple charts.



The fewer stocks you hold in your portfolio, the greater your risk per stock to your overall portfolio.

The more stocks you hold in your portfolio, the lower the risk is to your money.

The larger your portfolio, the more stocks you should hold (up to 50, beyond 50 isn't really realistic for most investors).

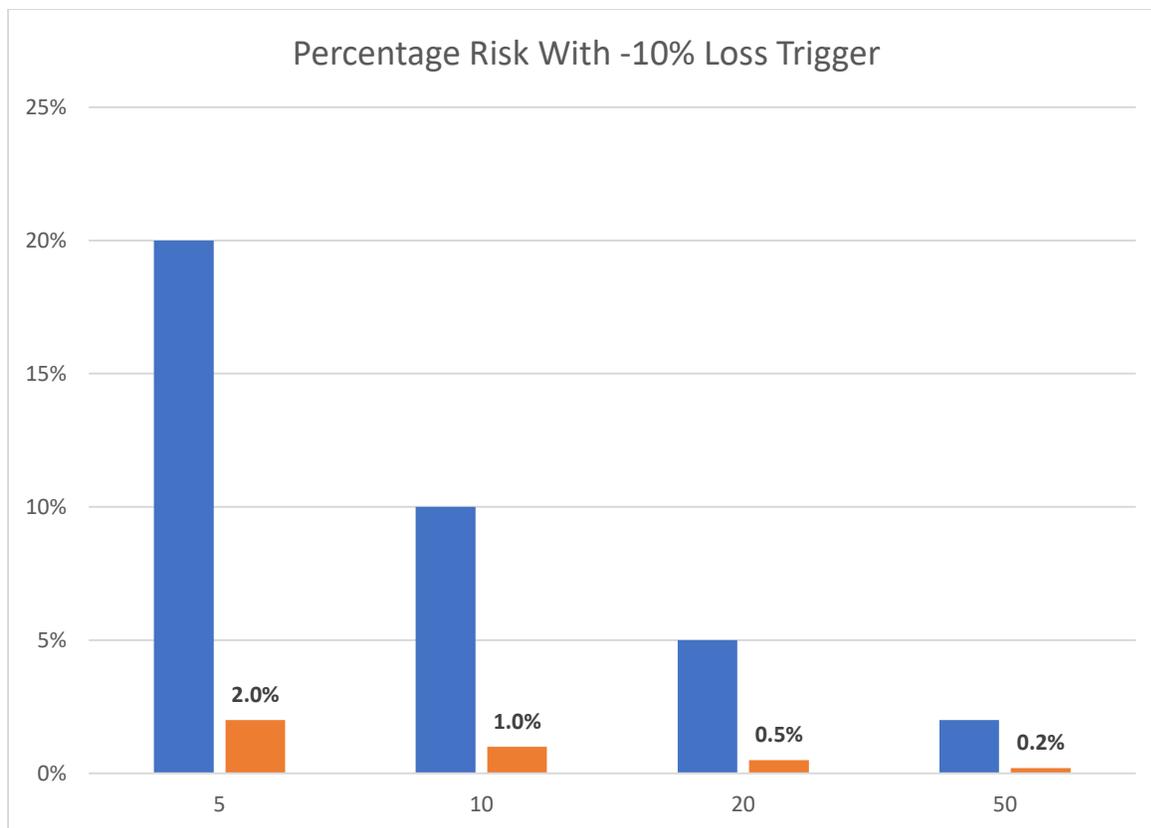
The dollar risk, however, varies depending upon how much you've invested and how many shares you own, **unless** you equally-weight your capital.

For an equally-weighted portfolio holding 5 stocks in your portfolio, each stock represents 20% total risk. For a 20-stock portfolio that risk is 5%, and in the next section, I'll show you how to reduce that risk even further.

General Rule of Thumb: Risk management guidelines suggest you should have between 2% and 5% risk per position you hold.

I'll share our Rules to Investing in a moment, but to jump the gun a little bit, we aim to limit our losses with a -10% Loss Trigger. That means if the price of a stock declines by -10%, we will close that trade and accept the smaller loss and find a better opportunity.

With that in mind, consider your Risk when we add in our -10% Loss Trigger (the orange bars):



On a 20-stock portfolio, by combining equal-weighting and our loss trigger, we further reduce our risk to .5% (one-half of one percent).

What that means is no single stock can ruin your portfolio. You may and likely will take losses. But you are limiting your losses to the smallest possible, realistic amount.

A second benefit to equal-weighting your dollars is that "all" of your stocks do not have to be big winners for you to hit that minimum 2% per month target.

Introducing Decision Triggers

In the previous chart example, I mentioned our -10% Loss Trigger. This is one of two "Rules-based" approaches we use in our Stock Investor's Blueprint: a Profit Trigger and a Loss Trigger.

Now, we'll be honest: We, too, get excited when our stocks go up and mad when our stocks go down.

However, by using what we call **Decision Triggers**, we can remove emotion from the equation—and by emotion, we mean that deadly trio of Fear, Greed and Hope.

What are decision triggers? They are your specific profit and loss targets that you "pull" when one or the other is reached and they work together with the Hyper-Compounding

Principle to help you get that 2% Monthly Return (or higher).

By using Profit and Loss Triggers, you establish your profit target and your risk **in advance** so you can automatically secure an investment gain or protect yourself from a big loss.

That's because when you learn to use decision triggers, you're making your decisions before you ever commit your money to the stock market (or any investment, for that matter).

We'll say that again:

*With these two triggers, your decisions are made **BEFORE** you ever put money in the stock market.*

The triggers for SHORT-TERM investments are a 20% Profit Trigger and a -10% Loss Trigger.

Every stock we're investing in for short-term investing has the SAME profit and loss triggers. This is how you secure your investing gains and prevent big losses. Here's how they work:

The Stock Investor's Blueprint 20:10 Investing Rules

Set a Profit Trigger at 20% Above Your Entry Price

- Set a Price Alert at your profit trigger or a sell limit order in advance
- Ensures that you take consistent, realistic gains so you can compound your money
- Ensures that you don't give back a gain once achieved

Set a Loss Trigger at 10% Below Your Entry Price

- Set a price alert at your loss trigger and execute if "hit"
- Ensures you don't let a small loss become a big loss
- You'll always have ANOTHER stock to recover gains with

You use Decision Triggers to make the only important decisions necessary: **When to take gains and when to limit losses.**

When you hit your 20% target, you need to take those gains to begin the process of hyper-compounding, because you'll use ALL of the capital from that first gain on the next investment or trade that you make.

Here's a quick example so that you can see the compounding process at work:

You have a \$20,000 Short-term Investing Portfolio using \$1,000 per stock invested (20 stocks total).

Let's assume you use one of your 20 equally-weighted capital buckets to buy stock in XYZ Corp. at \$10 a share (for purposes of simple math, we won't account for trading commission here).

You would hold 100 shares at \$10 per share and set your decision triggers:

20% Profit Trigger = \$12.00 per share
10% Loss Trigger = \$9.00 per share

Now XYZ's price reaches your 20% profit trigger. You decide (rightly) to take your 20% gain.

Your \$1,000 bucket is now worth \$1,200.

The next month, **you invest the FULL \$1,200** into ABC Corp., again at \$10 per share.

You now hold 120 shares at \$10 per share and set your decision triggers:

20% Profit Trigger = \$12.00 per share
10% Loss Trigger = \$9.00 per share

Again, your 20% profit trigger is reached. You take that 20% gain and your \$1,200 bucket is now worth: \$1,440.

That extra \$40 is the compounding part. You're now making money on the money you made from the original investment gain. THIS is what so many investors fail to do.

You'll often find the need to be realistic about gains. From time to time, you may hold a stock that rises 15% or 18% and just doesn't have enough momentum to hit that 20% trigger.

What should you do?

Take the gain.

Worrying about 2% or 3% is foolish and leads to losses. As well, the more frequently you can turn your portfolio over with gains, the faster your portfolio will grow, even at 10%, 15% or 20%.

You also have to protect your money. To do that, you'll rely on your Loss Trigger.

Now, to be clear, no investment strategy has ever been developed that wins 100% of its trades. It simply doesn't exist.

Where most investors go wrong is letting a small loss turn into a big loss. That's what you want to prevent by using a Loss Trigger.

A quick note: A Loss Trigger does not have to be and should not be a Stop Loss Order.

It is a decision point where you have time to analyze the fundamental reason for owning the stock.

Has anything changed? Are there other forces at work driving down the value of your stock holding? Has the company reported negative news or reduced future earnings expectations? If so, when the 10% Loss Trigger is reached, that's the time to preserve capital and move on to another opportunity.

To illustrate the importance of the Loss Trigger and to show you that you don't need to "win" every trade, let's review a **Win Expectancy Table** (for simplicity here I'll use ten-stocks, because 20 stocks would just be twice these results).

Capital	Gain/Loss	Total	Total Gain
\$1,000	20%	\$1,200	
\$1,000	20%	\$1,200	
\$1,000	20%	\$1,200	
\$1,000	20%	\$1,200	
\$1,000	-10%	\$900	
\$1,000	-10%	\$900	
\$1,000	-10%	\$900	
\$1,000	-10%	\$900	
\$1,000	-10%	\$900	
\$1,000	-10%	\$900	
\$10,000		\$10,200	2%

This table shows what happens to your money following the 20/10 Rules to Investing if you **LOSE** six out of every 10 trades you make.

This is the power of Risk/Reward, which using our rules is at least 2 to 1.

Here, you began with \$10,000, had four trades that reached their 20% profit trigger and six trades that reached their 10% loss trigger.

The result? Your portfolio still made money.

Read that again: **Your portfolio still made money.**

2% to be exact. Even if you hit just that minimal target every month, you'll still significantly outperform the market, as 2% per month, compounded, returns over 26% annually.

Compare that to the average investor's 4% per year and you're doing exceptionally well.

More to the point, it means that from month to month, you can have stronger months where your overall gain is 6-8% and smaller months of 1% to 2%, and you'll still grow your portfolio rapidly.

It also removes the emotional pressure of "getting it right."

When you know that you do NOT have to win 100% of your trades, you'll be empowered to make better decisions about keeping those losing trades small—because you know that the profits on your winning trades will more than make up the losses.

When you put all of this together—the Plan and the Rules—what you'll discover is that you don't have to be afraid to hit singles and doubles.

Coming out ahead in the stock market with your investments is just like the game of baseball: You'll score more often with these realistic gains by consistently hitting those singles and doubles rather than swinging for the fences and the home-run trade.

A real-world example of Short-Term Investing, Equal-Weighting and the 20:10 Rules

▲ No.	Ticker	Company	Date	Shares	Cost	Market Value	Gain\$	Gain%	
1.	AEL	American Equity Investment Life Holding Company	09-25-17	176	28.38	5238.41	238.41	4.77%	
2.	AMAT	Applied Materials, Inc.	09-25-17	105	47.77	5848.36	848.36	16.97%	
3.	AMP	Ameriprise Financial, Inc.	09-25-17	35	142.92	5602.78	602.78	12.06%	
4.	BLDR	Builders FirstSource, Inc.	09-25-17	289	17.31	5101.10	101.10	2.02%	
5.	CBG	CBRE Group, Inc.	09-25-17	134	37.18	5283.11	283.11	5.66%	
6.	CORT	Corcept Therapeutics Incorporated	09-25-17	275	18.2	5211.54	211.54	4.23%	
7.	DAN	Dana Incorporated	09-25-17	183	27.26	5456.71	456.71	9.13%	
8.	GTN	Gray Television, Inc.	09-25-17	342	14.6	5265.41	265.41	5.31%	
9.	INVA	Innoviva, Inc.	09-25-17	363	13.78	4334.18	-665.82	-13.32%	
10.	KMT	Kennametal Inc.	09-25-17	127	39.32	5429.80	429.81	8.60%	
11.	LNC	Lincoln National Corporation	09-25-17	69	72.88	5273.74	273.74	5.47%	
12.	LPLA	LPL Financial Holdings Inc.	09-25-17	101	49.51	4981.82	-18.18	-0.36%	
13.	LRCX	Lam Research Corporation	09-25-17	28	176.73	5824.13	824.14	16.48%	
14.	ON	ON Semiconductor Corporation	09-25-17	283	17.64	5890.02	890.02	17.80%	
15.	OSK	Oshkosh Corporation	09-25-17	63	79.72	5656.67	656.67	13.13%	
16.	RJF	Raymond James Financial, Inc.	09-25-17	60	82.91	5133.88	133.88	2.68%	
17.	SCHW	The Charles Schwab Corporation	09-25-17	118	42.54	5241.54	241.54	4.83%	
18.	SRCI	SRC Energy Inc.	09-25-17	597	8.37	5525.69	525.69	10.51%	
19.	TPX	Tempur Sealy International, Inc.	09-25-17	78	63.76	5025.10	25.09	0.50%	
20.	WAL	Western Alliance Bancorporation	09-25-17	99	50.69	5512.92	512.92	10.26%	
Total						20 Stocks	106836.91	6836.92	6.84%

That's a 20-stock portfolio, equally-weighted for a \$100,000 portfolio.

1. The overall gain from September to October (30 days) was 6.8%
2. None of the 20-stocks hit their 20% profit trigger
3. One stock, due to earnings, over-ran its -10% loss trigger and was closed (INVA)
4. 11 of the stocks have gains LESS THAN 10%
5. 7 stocks had gains higher than 10%

This should help you to see what is possible. Even though one of our stocks gapped below our -10% Loss Trigger, we were still able to limit further losses; and, this was a "good" period in the stock market so we were able to let our "winning" stocks keep running even though they had not yet hit their 20% Profit Triggers.

But you're probably wondering, how did we find those 20 stocks?

The Stock Investor's Blueprint "Discount %"



If a Wall Street firm tells you exactly what kinds of companies **they want to buy**, would you listen?

In April 2015, an investment note from Wall Street investment banking firm Morgan Stanley did exactly that: Telegraphed to investors the kinds of stocks the company aspires to buy in the future.

Here's the important text from that note:

“A systematic way to think about this might be to look for stocks with reasonably robust long-term earnings growth forecasts that trade at a discount to the

market... the flip side would be to avoid names with low expectations for earnings growth that trade at substantial premiums..." Morgan Stanley, April 2015

Let's break this down into two simple parts:

1. Investment firms do not want to pay high prices for growing companies.
2. Investment firms want to avoid overpriced companies with little to no growth prospects.

How, then, can you find companies trading at a discount to the market that have long-term earnings growth?

As you're about to discover, you can find those companies quickly and simply with our unique "One Number" fundamental analysis approach.

This One Number—which we call the **Discount %**—instantly tells you whether a company is undervalued relative to its future earnings growth.

This is exactly what Wall Street firms such as Morgan Stanley are looking for: growth at a discount.

The Discount %

Put simply, the Discount % determines how undervalued a company's stock price is TODAY against its earnings growth in the next 12 months.

It is calculated by using the Price to Earnings Ratios and the Earnings Growth Rates of a company to provide a single, simple percentage to value.

By that I mean:

- If a stock's price is EQUALLY valued today against its earnings for the next 12 months, the stock would have a 0% discount.
- If a stock's price is over-valued today against its earnings for the next 12 months, the stock would have a + or positive %.
- But if a stock's price is under-valued today against its earnings for the next 12 months, the stock would have – or negative %.

It's the stock market equivalent of buying a stock on sale.

It should be stressed here that these are not "value" stocks. They are not beaten down, has-been companies hoping for some miraculous turnaround.

Often, they are companies that have been overlooked by Wall Street, or misunderstood in the way the company creates revenue.

This one tactic can get you ahead of Wall Street, because the market doesn't price stocks based on a company's value today—the market prices stocks based on the future value of the company.

Calculating the Discount % (Simple steps)

You need two pieces of information in order to calculate the Discount %. Both are very simple to get.

Component #1: Current Price-to-Earnings Ratio (Trailing Twelve Months)

First, you need the trailing twelve months price-to-earnings, or PE ratio. This is a quick way to assess whether a stock is trading at a discount or at a premium to the overall market.

The problem with the way PE ratios are expressed on most financial platforms is that they are presented as "rear view" numbers, and as we just reviewed, this is not how Wall Street is valuing the price of a stock.

We can use that information as a guide to the future value of the company, however, and that's exactly what we'll do.

Most online financial portals provide the current PE Ratio in a Trailing Twelve Months format or number. The reason you use this number is because it is an accurate reflection of what the company has earned in the prior year against its current price.

This gives you a baseline in terms of "value."

Here's an example from Yahoo! Finance on a company we've traded in 2017, drug-maker AbbVie (ABBV):

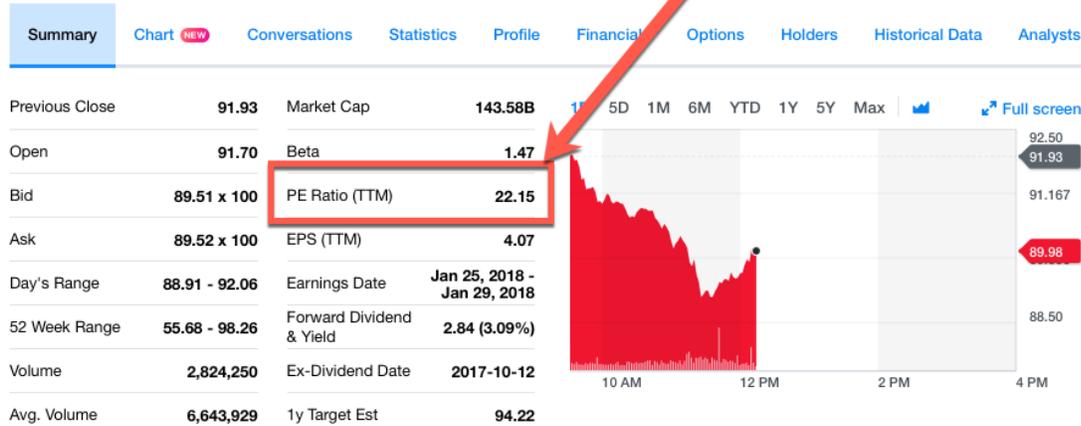
AbbVie Inc. (ABBV)

NYSE - Nasdaq Real Time Price. Currency in USD

[☆ Add to watchlist](#)

90.07 -1.86 (-2.02%)

As of 12:16PM EDT. Market open.



The current PE ratio is 22.2 – let's hold onto that number for a minute.

Component #2: Forward Price to Earnings Ratio (Next 12 Months)

Referring back to Morgan Stanley's investment note, recall that Wall Street is looking for "reasonably robust long-term earnings growth forecasts."

This means a stock with rising earnings expectations. What we need, however, is to convert those earnings expectations into a PE Ratio (so we can compare against the current PE Ratio).

Let's go back to our ABBV example:

AbbVie Inc. (ABBV)

NYSE - Nasdaq Real Time Price. Currency in USD

[☆ Add to watchlist](#)

90.08 -1.85 (-2.01%)

As of 12:18PM EDT. Market open.

Earnings Estimate	Currency in USD			
	Current Qtr. (Dec 2017)	Next Qtr. (Mar 2018)	Current Year (2017)	Next Year (2018)
No. of Analysts	16	6	19	19
Avg. Estimate	1.44	1.43	5.54	6.56
Low Estimate	1.37	1.29	5.46	5.57
High Estimate	1.58	1.55	5.64	7.13
Year Ago EPS	1.2	1.28	4.82	5.54

To calculate the Forward PE Ratio, we need to know the **Next Year's Earnings Estimates** – here for ABBV they expect to earn \$6.56 in the next year.

The Forward PE Ratio is calculated by dividing the current price (90.08) by the next year's earnings estimate (6.56), which gives us **a Forward PE of 13.7**

What this tells us is that the price of the stock is UNDERVALUED over the next twelve months compared to its current valuation.

Think of it this way: if the market is willing to pay 22x earnings on ABBV right now and the price of the stock in the future is only 13x earnings, then the price of the stock must rise to be nearly equal the current market rate.

But we need to know how much of a discount the stock is trading at so we can better gauge our profit potential.

When we put these two components together, what we get then is a forward-looking discount % which tells us instantly whether a company is over- or undervalued relative to its current PRICE.

By doing so, we can, in fact buy that growth at a discounted price. The Discount %, then, can be a predictive fundamental analysis tool.

Calculating the Discount %

We've created a simple calculation for the Discount % and it's so simple a third grader can do it:

$[\text{Forward PE Ratio} / \text{Current PE Ratio}] - 1 = \text{Discount \%}$

Going back to our ABBV example:

We divide the Forward PE ratio by the Current PE Ratio and then subtract "1" to get a percentage return:

$$13.7 / 22.2 = .62 - 1 = -38\%$$

This tells us then that at its current price, ABBV is still trading at a -38% discount to future earnings growth; and that it is a stock we should consider buying. It is also a stock we recommended in May 2016 when it debuted with a Discount % of -40%.

That Discount % allowed us to get a 40% gain in just 5 months (disclosure: we still hold this stock as of October 30, 2017).



Now, that's an example where we used the discount % for a longer-term gain. Let's look at one for a short-term gain:

The company is Axcelis Technologies, Inc (ACLS), a stock which ranked highly in our Discount % model and which we recommended in October 2017 as it carried a Discount % of **-47%**.



As you see, ACLS moved up strongly during the month and we were able to close this trade for a 15.2% gain in just over three weeks of holding it.

Which means we would take our gains on that stock in full and use that capital on the next stock we would own in November.

The key to using the Discount % as a guide to which stocks to own is have both a plan and a set of rules to profit from those stocks. You can hold a Discount % stock for short-term (up to 90 days), or for longer-term gains (up to one year).

What matters to the Discount % is the following:

- That the company meets or beats current year's earnings expectations, or,
- Next year's earnings expectations are not decreased

If either of those two statements are not true, the discount % will change (it will switch to a positive)



And once you master the concept of the Discount %, along with your new Plan and Rules for Investing, you'll have all of the pieces you need to begin hyper-compounding your portfolio.

While our goal in this report is to help you build a million-dollar portfolio, the truth is we can't simply wave a magic wand and hand you a million dollars (if we could, we'd do that for ourselves first), but what we will do is provide you with a step-by-step Blueprint you can use to reach that million-dollar goal.

A million dollars may seem like an arbitrary figure (it isn't as we explained in the Retirement Gap section), but the reality is most investors are not growing their money fast enough to ensure a secure retirement, or to cover life expenses.

Throughout this report, we showed you why your money IS NOT growing fast enough for you to reach your financial goals, and why that million-dollar goal is such an important milestone in your journey to be financially self-sufficient.

To bring everything together, in this chapter we'll give you a very simple, step-by-step blueprint that you can use to turn a small portfolio—even if you're just beginning as an investor—into a million dollars (or more).

10-Step Stock Investor's Blueprint

Here then, is the step-by-step approach using the Millionaire Blueprint as you've learned it.

Step 1: Set your financial goal.

We've set the initial goal for you at \$1,000,000. You may choose to raise or lower that goal. Either way, this is a critically important step because most investors don't have a goal – they have arbitrary numbers or ideas, like "having enough to retire" without knowing how much they'll need.

Step 2: Determine how much money you have to get started.

This is the important step to solving the problem of having enough money so that you never have to worry about it.

How much is your portfolio worth right now? Do you have a portfolio? Are you new to investing? Do you have sizable savings already but are looking to add to your nest egg?

Once you know how much you have to begin with, you can execute the Stock Investor's Blueprint plan.

I would also add here to determine how much TIME you have – whether that's time each week or month, to focus on your investing strategy. Working folks, especially those with kids, obviously have less time to devote to investing.

In total, you should expect up to one to two hours per month to use the Stock Investor's Blueprint approach if you do it yourself. If you want a portfolio done for you where you simply follow the 20:10 Rules to Investing, you can join our XX Portfolio which is designed for investors with less money, or our Millionaire 50 Portfolio for larger portfolio investors (greater than \$100,000).

Step 3: Allocate capital to your short-term portfolio.

Now that you know how much money you have to begin with, the next step is to “fund” your short-term portfolio.

For simplicity, we recommend starting with \$20,000 as the minimum. If you have a larger portfolio you have the option of starting with that amount, or, using up to 10% of your total portfolio.

For example, a \$250,000 portfolio could begin the Stock Investor's Blueprint plan with a short-term investing portfolio of \$25,000. The remaining portfolio amount could be allocated to other trading or investing activities.

Smaller portfolios should target the \$10,000 minimum starting point, or no less than \$1,000 per stock held to offset trading costs.

At the outset, as we explained previously, this means you will take on some short-term risk because you need growth. Using the rules, however, you've seen that your portfolio is still protected against downside risk.

Important note: it is not necessary to start a new portfolio or brokerage account to do this.

Step 4: Divide the short-term portfolio into up to twenty (20) capital groups (or buckets).

This is the capital division step in the Stock Investor's Blueprint plan and serves as your money management and risk management strategy. By dividing your short-term portfolio into 20 buckets, you are ensuring that no one stock that you hold can wreck your total portfolio.

A \$20,000 starting portfolio, then, would have 20 capital groups of \$1,000 each to begin with.

Step 5: Find the right stocks to use with your short-term portfolio.

We've shared with you the Discount % Strategy we use. Do-it-yourself investors now have a powerful strategy to find stocks on their own without hours and hours of research.

Step 6: Once you've found 20 stocks to buy, use one capital group for each stock.

Pretty simple step, isn't it? This is, however, the hardest step for most investors because they "worry" about getting the best price, or the lowest price, or whether you should buy at the open, or buy on Tuesday...and on and on and on.

Quick tip: Get out of your own way and put your money to work for you. Don't chase prices on stocks because you think you'll save a nickel or a dime. Let the market do the work for you and let the rules protect you.

Step 7: Apply the 20:10 Rules to your stocks

Once you've bought shares in each of the 20 stocks in your short-term portfolio, you must apply the "Decision Triggers," to ensure you secure your investing gains or protect and preserve capital in the event of a loss.

You've seen the simplicity of applying the rules: multiply your entry price by 1.2 to set your 20% Profit Trigger and multiply your entry price by .9 to set your Loss Trigger. You now have set a ceiling and a floor – let the market go to work for you.

Step 8a: Close trades at 20% Profit Trigger.

This is the all-important "remove emotion (greed) from the equation" step. When you hit that 20% Profit Trigger, do not rethink or try to outsmart yourself. Take your 20% gain and move on to the next trade opportunity.

This is how you begin the process of hyper-compounding, after all. You can't compound a gain if you don't take it, right? So, take the gain.

Step 8b: Close trades at 10% Loss Trigger.

The opposing emotion (fear) must also be removed from the equation. If your stock reaches the 10% Loss Trigger, protect and preserve capital. The rationale for the trade no longer exists and you do not want a small loss turning into a big loss.

It should also be stated here that another emotional factor is "ego" – that is, the inability to let go of a trade because it means admitting you were wrong. Please don't do this to yourself. You had a good reason for making the trade in the first place. It didn't work out.

Go find another trade and let the next one work out.

Step 9: Allocate the full capital in your buckets to each successive trade you place.

This step means you will repeat Steps 5 through 8. You will likely discover that you may not necessarily buy twenty new stocks every single month as some trades will not have reached either the 20% Profit Trigger or the 10% Loss Trigger.

For those trades that do reach their Triggers, or when they reach their triggers, you simply repeat the process of finding a new stock to buy, entering the trade and applying the 20:10 Rules.

Step 10: Rebalance your portfolio quarterly

Rebalancing is a little tricky, but a simple explanation will do. Once each quarter, you'll want to return to Step 4: Capital Division and rebalance your buckets so that they are equally weighted again.

For example, after 3 months your buckets have values of varying amounts as shown in the table below. The overall value of your portfolio is \$10,827, even though you have buckets that range in value from \$729 to \$1,728.

Here, you'll return to Step 4, divide your total short-term portfolio into 20 capital buckets. Begin using the new per bucket value on your next trades. Again for simplicity, I'll use 10 stocks to show you this (because for 20 stocks, you simply double what you see here and in what follows):

Capital Bucket	Balance Per Bucket	Rebalanced per Bucket
1	\$ 729	\$1082
2	\$1,728	\$1082
3	\$1,296	\$1082
4	\$1,296	\$1082
5	\$ 729	\$1082
6	\$1,728	\$1082
7	\$ 729	\$1082
8	\$1,296	\$1082
9	\$ 729	\$1082
10	\$1,296	\$1082
	\$10,827	\$10,820

For 'realism' I have assumed both profit and loss on trades covering a 3-month period. Out of 30 trades possible in a three-month period, I have assumed a worst-case of:

- 2 Buckets with three winning trades each
- 4 Buckets with two winning trades and one losing trade each
- 4 Buckets with three losing trades each

That's 16 losing trades and 14 winning trades. Notice that your portfolio is still ahead by 8% over those three months, which means your average return per month is 2.67%.

And if you'll recall, we told you our goal is to achieve between 2% and 8% returns each month. While this example is on the lower end of that scale, it should impress upon you that you do not need every trade to be a winner (see also: greed, ego).

This is the value of the 2:1 Risk to Reward ratio you'll experience when using the 20:10 Rules. Your winners will more than make up for cutting losers fast.

You now have a simple plan, a set of rules and a strategy to selecting stocks which when put together and followed will help you achieve that Million Dollar portfolio.

Review of Goals and Objectives

The Stock Investor's Blueprint is based on setting realistic goals with clearly defined objectives that allow you to build wealth over time.

There's a famous line from Lewis Carroll's masterpiece, *Alice in Wonderland*, which nicely sums up most investors' approach to managing their money. The line is delivered by the inimitable Cheshire Cat, who tells Alice, "If you don't know where you are going, any road will take you there."

The fact is that you must know where you're going when it comes to your investment plan—that's the first critical component addressed by the Stock Investor's Blueprint.

The second critical component is to provide you with the knowledge and the tools necessary to carry out that plan. It's not enough to simply know where you're going. You must also have to have a reliable vehicle to get there.

If we were forced to boil the Blueprint down to one sentence, it may read something like this:

This plan is designed to help you take small, consistent profits that build up to big numbers over time.

If given the luxury of a corollary sentence, it might read like this:

The plan also helps reduce risk by avoiding big losses.

Sounds easy, doesn't it? Yet as we all know, sometimes the easiest things are arrived at through a whole lot of painstaking effort.

Small, Consistent Wins the Race

The real key to successfully growing your money is to achieve small, consistent profits over time.

Now, ask yourself this question: How much does a \$10 stock have to rise in price to grab a 20% profit?

If you've done your Sell Limit calculation, you already know the answer is a mere two dollars.

But what do most people hope to achieve when buying a \$10 stock? They think about the stock jumping to \$15, \$20, \$30 or even \$50 per share. Of course, these kinds of moves happen, but they represent unrealistic expectations. Moreover, failure to achieve

these kinds of results in one or two stocks often leads to frustration and disappointment with more modest gains.

Our advice: **Don't be afraid to hit singles and doubles.**

As mentioned earlier, winning in the markets is a lot like baseball: You'll score more often and win more games by consistently hitting singles and doubles than swinging for the fences at every at bat.

If you seek consistent, realistic profits with your trading capital, you'll find the market will give you those 20% returns far more frequently than it will give you those 50%, 100% or 1,000% returns.

That, in essence, is the foundation of the Stock Investor's Blueprint and the 20/10 rules.

It's also another reason why we recommend using a percentage of your total portfolio with this plan—so you can be excited, knowing that you're regularly growing your portfolio on a monthly basis.

Just like a building, you must start with a solid foundation before you begin construction. That's what you possess now: a foundation to build your portfolio over the next decade and beyond.

Managing Your New Short-Term Portfolio

A few words here on what to do when your portfolio reaches six-figure territory.

We must be realistic about a few things—namely, based on the strategy we've just shared with you, as you experience growth in your portfolio, you'll eventually reach a point where capital division will require you to expose too much money to risk.

This section provides alternatives for your capital to ensure you continue to experience positive growth without high risk.

Obviously, if you're creating consistent returns of 2% to 8% per month, your portfolio will grow at a rate that will ultimately require you to put on tens of thousands of dollars in a single trade. While the risk factor of 1% of your total portfolio would NOT change, the overall dollar factor does change.

To combat this issue, once your short-term investments have grown to \$100,000 we encourage you to move beyond 20 stocks and rebalance your portfolio into 50 stocks.

Yes, it takes more time, but it also gives you greater diversification, further limits risk and still provides substantial growth.

Notes on Taxes

Inevitably, a skeptic will complain that we have not addressed issues of taxes. They're correct. Here's why:

First, no two persons have exactly the same tax structures. Therefore, it is impossible to model out the impact of your personal tax situation and the impact it would have on you reaching the million-dollar goal.

Second, you'll be dealing with a broader range of tax issues: Capital gains on short-term investments, dividend and interest income (from stocks and bonds), capital gains on investments, income from investments (taxed at the individual's tax rate), write-downs from losses incurred in short- and long-term investments, and more.

That's the problem with trying to forecast taxes: It's too broad to accurately apply. Also, given the current political environment, it's impossible to predict future changes to tax codes, tax rates and state-based taxes.

Suffice it to say, if you follow this strategy, your money will grow very fast and you will likely face tax issues. Taxes **will not significantly impede your progress**. It MAY delay your timeline in reaching your million-dollar goal by a few months to a year. But at the end of the day, if you're making a decision NOT to grow your simply because you might have to pay taxes, you will fall behind and fail to reach your financial goals.

Never, ever make an investing decision—or fail to make one—simply because you might owe taxes to your respective federal or state government. Get qualified tax investment advice and understand what taxes you may be liable for. Be sure to get corresponding write-off advice, as well.

Finally, please make sure that you use or take advantage of tax-deferred accounts (that's what they're there for) to help you avoid taxes until you NEED the income—and at that, potentially lowering your tax exposure.

Final Thoughts

In any portfolio model, inherent flaws will appear. I'm going to address the key flaws in the Stock Investor's Blueprint and use them to help you navigate around those flaws.

Understand that a "flaw" does not mean something doesn't work; it does not mean you can't still reach that million-dollar goal.

It means you have to be prepared for times when things don't go according to "plan."

I'll give you an example:

If you've ever been to Las Vegas (and I have, too many times to recount), what is the

noisiest, most crowded gaming table in the casinos?

The craps table.

Why? In a word: Action. Constant action. Between the rolls of the dice and the myriad bets that can be placed, you have no shortage of "action" to take part in at the craps table.

Gamblers crave action. Do you know who else tends to crave action?

Investors and Traders. It's one reason futures and options continue to see rises in popularity. Constant action.

One of the flaws in the Stock Investor's Blueprint is that you do not have much "to do." I guess you could call it "boring-vesting".

Even in our program, we enter trades at the beginning of each month and do nothing until, typically, one of our Triggers is reached.

I know most of you like 'action' - that's why the Stock Investor's Blueprint Short-term Portfolio is structured to use just part of your overall portfolio's capital.

I'm giving you "play money" with the rest of your capital. If you'll stick to the plan and the rules and use the right stocks, you'll find you'll capture realistic, consistent gains in this little slice of your portfolio pie.

In the long run, this slice of pie will become the fastest growing piece of your portfolio.

Just realize that you won't have daily excitement.

A second flaw, though I have attempted to address it, revolves around what to do when your short-term portfolio reaches significantly larger levels.

By that I mean \$250,000 to \$500,000 and larger. Here's the flaw exposed:

You will find that you will not want to "lay" \$12,500 to \$25,000 on a single stock position; you'll also find that you may not be able to get enough shares; or, that trading costs increase when buying more than 1,000 or 5,000 shares (depending upon your broker).

And if you reach that million-dollar mark, you probably won't want to risk \$50,000 on a single position (that's \$1,000,000 divided by 20 positions held).

At \$250,000, that's the point at which you need to consider holding more stocks; up to 50. Yes, there's more time involved, but there is also lower risk and higher long-term rewards because you have more stocks to gain from.

The math behind reaching the million-dollar goal is designed to show you what's possible and what it takes to get there. You will likely find that some months slow you down, while other months speed you up.

The larger your portfolio, however, the more you can slice your portfolio pie. You'll also be able to invest in more stocks for gains and break your portfolio capital down to maintain your risk and money management integrity.

This is the reason we created the Millionaire 50 – to address the issues of larger portfolio investors who still need growth of their money, but cannot afford the risk.

Finally, the last flaw is one of portfolio turnover; that is, closing one trade and opening a new trade in its place.

Frankly, the market is not going to give you 20% gains on every trade in exactly thirty days every single month of the year. That's reality.

Instead, you'll find yourself holding some positions in your short-term portfolio up to the full 90 days and others for as few as 2-3 days.

Our shortest trade in the Stock Investor's Blueprint lasted 2 days before reaching its 20% Profit Trigger. And I'll call that luck, not skill.

Our longest trade in the Stock Investor's Blueprint lasted 5 months before reaching its 20% Profit Trigger. Yet, we still held that stock for the full 20% gain.

The flaw to understand is that you are not necessarily turning over all 20 stocks in your short-term portfolio each and every month; you're more likely to turn over 5-10 stocks each and every month.

You will find yourself still outperforming the overall market significantly, however, and your progress to your goal will not be impeded. That turnover matters however, because the more frequently you can turnover your stocks, obviously with gains, the faster you can compound those gains.

If you hold a stock for 60 days and get a 20% return, sell it, then buy a new stock and hold that stock for 60 days and another 20% return, this is what happens:

(We'll use simple numbers here)

	Capital	Price	Gain	Shares	Net Capital
Stock 1	\$1,000	\$10	20%	100 shares	\$1,200
Stock 2	\$1,200	\$10	20%	100 shares	\$1,440

That's a \$440 gain on \$1,000 starting capital in 4 months, or a total capital gain of 44%, or an average gain of 11% per month (this is possible when considering just one stock bucket within your portfolio).

But you only needed two trades to accomplish that.

Alternatively, if you took 10% gains (assuming you get them) because you were able to turnover your stocks every month, you'd be slightly further ahead due to the compounding effect, however, you also would have spent twice as much on trading costs:

	Capital	Price	Gain	Shares	Net Capital
Stock 1	\$1,000	\$10	10%	100	\$1,100
Stock 2	\$1,100	\$10	10%	110	\$1,210
Stock 3	\$1,210	\$10	10%	120	\$1,331
Stock 4	\$1,331	\$10	10%	133	\$1,464

Sometimes, patience for that 20% gain (or nearly so) beats the greed factor of high turnover. That's a difference of \$24 making two additional trades before accounting for commissions. Is it worth it? Not always.

The key behind turnover (selling a stock you hold and buying a stock to replace it) is that it is the mechanism for the Hyper-Compounding Principle, as you've seen. Any turnover of profitable positions in your (new) portfolio will result in increased annualized returns.

We've covered a lot of ground in the Stock Investor's Blueprint, and we hope you've come away with a good sense of what the plan is all about, and how the trading and portfolio management techniques we use can help you accumulate a lot of wealth over a relatively short time.

If you simply do nothing else but execute the 20/10 trading rules in your own portfolio, we've succeeded in helping you evolve.

With these simple strategies for managing your money, protecting your downside, capturing gains and diversifying risk, you effectively have the plans needed to build a sturdy financial structure.

The next phase of construction is all about picking the right materials for the job—that involves the right stocks to use with the Stock Investor's Blueprint Rules.

Thank you for reading. We wish you Godspeed in your future trades.

The Stock Investor's Blueprint XX and M50 Portfolios

Stock Investor's Blueprint: **SIB100**

For Do-It-Yourself Investors, we are releasing the SIB 100 in December 2017. The **SIB100** is an index of 100 stocks ranked based upon their Discount %.

This is the simplest starting point for an investor wishing to benefit from faster growth of their portfolio using what you've learned in this report.

The SIB100 is a monthly ranking of the top 100 highest Discount % stocks. Here's an example of the top 25 stocks from a recent month, showing you the Discount % (last column on the right) and the diversity of holdings.

No.	Ticker	Company	Sector	Industry	P/E	Price	PED%
1	TMHC	Taylor Morrison Home Corporation	Industrial Goods	Residential Construction	27.93	\$ 23.57	-62%
2	WLH	William Lyon Homes	Industrial Goods	Residential Construction	21.63	\$ 25.03	-57%
3	RDN	Radian Group Inc.	Financial	Property & Casualty Insurance	24.49	\$ 20.96	-56%
4	CNOB	ConnectOne Bancorp, Inc.	Financial	Regional - Northeast Banks	28.59	\$ 26.45	-51%
5	SPR	Spirit AeroSystems Holdings, Inc.	Industrial Goods	Aerospace/Defense Products & Services	29.31	\$ 80.41	-49%
6	BCC	Boise Cascade Company	Industrial Goods	Lumber, Wood Production	29.76	\$ 35.30	-48%
7	KMG	KMG Chemicals, Inc.	Basic Materials	Specialty Chemicals	28.31	\$ 54.44	-45%
8	KOP	Koppers Holdings Inc.	Basic Materials	Specialty Chemicals	24.5	\$ 48.05	-44%
9	MGLN	Magellan Health, Inc.	Healthcare	Health Care Plans	23.97	\$ 84.40	-40%
10	USG	USG Corporation	Industrial Goods	General Building Materials	27.35	\$ 34.19	-40%
11	WLK	Westlake Chemical Corporation	Basic Materials	Specialty Chemicals	24.49	\$ 85.63	-40%
12	NTAP	NetApp, Inc.	Technology	Data Storage Devices	20.96	\$ 43.52	-39%
13	CDW	CDW Corporation	Technology	Information Technology Services	26.29	\$ 69.31	-39%
14	LNTH	Lantheus Holdings, Inc.	Healthcare	Medical Appliances & Equipment	26.64	\$ 19.10	-38%
15	NCLH	Norwegian Cruise Line Holdings Ltd.	Services	Resorts & Casinos	18.52	\$ 54.80	-36%
16	AIR	AAR Corp.	Industrial Goods	Aerospace/Defense Products & Services	26.31	\$ 38.76	-36%
17	VC	Visteon Corporation	Consumer Goods	Auto Parts	27.74	\$ 124.48	-36%
18	FUL	H.B. Fuller Company	Basic Materials	Specialty Chemicals	27.87	\$ 56.78	-35%
19	COL	Rockwell Collins, Inc.	Industrial Goods	Aerospace/Defense Products & Services	26.77	\$ 136.24	-34%
20	OC	Owens Corning	Industrial Goods	General Building Materials	24.31	\$ 81.49	-34%
21	KBH	KB Home	Industrial Goods	Residential Construction	19.46	\$ 26.99	-34%
22	NSP	Insperity, Inc.	Services	Business Services	27.38	\$ 94.65	-33%
23	CHFC	Chemical Financial Corporation	Financial	Regional - Midwest Banks	21.87	\$ 52.18	-33%
24	MHO	M/I Homes, Inc.	Industrial Goods	Residential Construction	13.83	\$ 32.91	-33%
25	FAF	First American Financial Corporation	Financial	Property & Casualty Insurance	21.04	\$ 53.17	-33%

Stock Investor's Blueprint XX and M50 Portfolios

In our discussions with investors and from surveys we've conducted, one important point we learned was how difficult it can be for investors to find the right stocks to use with this Short-term Investment plan, especially those who don't have much time to spend managing their investments, or those who want to learn "how to do it."

That's why we created the **Stock Investor's Blueprint XX Portfolio and the Millionaire 50 (M50) Portfolio.**

It contains everything you need to combine the right stocks with the right plan to grow your portfolio with consistent, realistic gains, month after month.

The Stock Investor's Blueprint XX Portfolio provides monthly stock selections to its exclusive group of investors and contains 20 of our highest rated Discount % stocks in a simple to manage portfolio model which any investor can copy.

We provide entry and exit recommendations and track the results of our returns for our clients. Our goal is to get a 2% or higher monthly return from the XX Portfolio.

XX Portfolio is designed for investors who want help implementing and executing the Stock Investor's Blueprint Plan, Rules and Stocks.

The Millionaire 50 Portfolio contains 50 stocks in a portfolio model which larger investors can copy. The M50 portfolio is specifically for larger portfolios (\$100,000 and higher) and addresses the issues I've discussed previously.

About John Hutchinson



John has been involved with the stock markets for over 18 years, managing investments, designing portfolio models and teaching technical and fundamental analysis techniques. John is co-founder and partner at Traders Reserve.

He is the developer of the Stock Investor's Blueprint Investing Strategy and the 20/10 Rules, the editor of the Stock Investor's Blueprint XX and Millionaire 50 portfolio services, and the designer of the Stock Advisor app, for iOS and Android smart phones.

He is the author of *The Wealth Shield: How to Invest and Protect Your Money*. (Amazon.com).

He is best known as a wealth-building expert and financial freedom strategist who helps people restore their financial dreams while protecting wealth by avoiding risky or get-rich-quick schemes.

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