Never Bring a Knife to a Gunfight

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The reason for this white paper title is quite critical and extremely important – when it comes to managing your personal economic dollars, you must be aware that players like the government, major corporations, and financial institutions are always adapting the rules of economic engagement in order to get at your money in a systematic and efficient manner. These entities create and/or manage how Americans should spend their money, and unless we learn to protect ourselves from these economic nemeses, we will always be dependent on their rules of engagement. In other words, Americans must learn how to offset economic disparity by not bringing a knife to a gunfight – bring your "A" game and win the economic fight!

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I. Introduction

For most of us that have heard the above saying before, it means that we must have our "A" game at all times if we wish to accomplish a stated task or goal. Although this analogy is applicable to just about every personal and/or business decision that is critically important to us, I will address this analogy in relation to the retirement and economic world facing Americans today and in the future – the government, major corporations, and financial institutions bring their "A" game to the table at all times, and it is incumbent upon all of us to understand the rules of engagement as we prepare for this ever-changing journey.

II. Government Gunfighters

The 2016 Presidential Campaign will go down in history as the most interesting and controversial election campaign in U.S. history for a number of reasons.

On the one hand, Hillary Rodham Clinton has been the political incumbent for the past 30 years – she represents the good, the bad, and the ugly of Washington, and she carries a political machine and cloud that is ever controlling and deep-rooted in promises, promises, and innuendos.

On the other hand, Donald Trump is the flamboyant and well-known real estate tycoon who happens to be a Washington outsider. His controversial statements and lack of political savvy has placed him in a love/hate relationship with the American people.

The Democrats want big government, public-control, higher taxes for the rich, more "free" programs for the poor and the so called middle class (Economists truly know how expensive free can be), and the ability to govern the American people in their every single wish and/or desire.

The Republican want less government, private control, lower taxes for everyone, and the transfer of governing back to the people, but except for the Reagan years, the Republican party has been looking a lot like the Democratic party in regards to the increase of the national debt and the unfunded liabilities for Social Security, Medicare, and Medicare Part D (George W. Bush 1st coming of Obama-Care).

As a Libertarian, I have my personal reservations against both parties, and I'm a true believer that major gunfighters bring their "A" game to the fight each and every day in order to ordain and/or control every money or economic decision we make in our lives.

For instance, the Federal Reserve Bank of the United States (Feds) is a governmental gunfighter – they control monetary policy in our country and can create recessions, depressions, inflation, and deflations just with a mere suggestion – when Alan Greenspan, Ben Bernanke, or Janet Yellen speak/spoke, people listen(ed), and they listen(ed) intensely. These Fed Chairs carry and/or carried tremendous amount of economic power here in the U.S. and abroad. For your information, and this one is a hard one to swallow, the Federal Reserve Bank is not federal, it has no reserves, and it is not a bank…how do you figure?

Over the past decade, the Feds have kept interest rates as low as possible in order to fuel the economy, but that has not done much to increase economic growth in the United States. On the contrary, our current monetary policy has kept the U.S. growth to a mere 1% versus the traditional 4% that we have seen in previous decades. Moreover, interest rate controls creates unintended consequences for many Americans and retirees – during the early 1990s, many of my retiree clients kept their money in 5% to 6% interest earning Certificate of Deposits (CDs) accounts with very little risk; yet today's retirees can barely earn 2% on these same CDs, and some hover around 1.5% - what does this mean?

In the 1990s, a $1 million portfolio in CDs generated $50,000 to $60,000 annually in interest earnings gross of income taxes – this same portfolio today earns $15,000 to $20,000 annually in interest earnings gross of income taxes with no solution and/or remedy in sight. For obvious reasons, retirees are either taking higher risks in order to increase their retirement income, or they are invading principal in order to offset their dismal retirement income.

Congress is another governmental gunfighter that we must prepare against if we want to come out of the gunfight alive and well – Congress controls and passes laws, regulations, and tax items that are supposed to protect us in the long run. Some of these laws provide a benefit to our society, but many of them don't, yet the government flounder them as political gospel in perpetuity. Just imagine trying to decipher the 74,000+ pages of the IRS code if you run a small to midsize business in America today – imagine if you run a large private and/or public corporation in America and you have a due diligence to provide the highest possible return on investment (ROI) for your shareholders or business partners. The National Taxpayers Union Foundation (NTUF)[1] estimates that compliance with the federal income tax system cost small businesses and corporations approximately $233.8 billion in productivity in 2014 along with 6.1 billion hours of lost accrued labor expenses in order to facility adequate and planned efficient tax returns – that is an enormous lack of productivity cost for the United States.

For the past 25 years, I have been assisting my clients in retirement tax planning and wealth building alternatives. Those who do not remember history are doomed to repeat it, and the consequences are multiplied in negativity and planning disdain. For example, most Americans do not realize that taxes are already going up for many of us, yet our political environment and pundits pay more attention on what the Presidential candidates are saying about each other versus economic trends as a whole. Let's take a look at what taxes look like for high-income earners:

Top Federal Tax Rate	2012	Present	% Increase
On Ordinary Income	35%	44.6%	27.43%
On Capital Gains	15%	25%	66.67%
On Dividends	15%	25%	66.67%

This tax increase is only the beginning, and it includes a 3.8% excise tax for Medicare contributions and a 1.2% excise tax for Limitation on Itemized Deductions.

In order for Americans to avoid bringing a knife to a gunfight, they need to understand the rules of engagement and they need to think like the adversary opponents think – moreover, they must be one step ahead of the game by seeing their economic future and that of our country through a telescopic platform that allows them to see the pros and cons of certain economic decisions regardless of current environment.

An increase of 27.43% on ordinary income tax and 66.67% on capital gains and dividends is a fairly large number, and it doesn't account for other annual tax increases that Americans take for granted daily because of the out of sight, out of mind attitude – See, tax paying Americans pay 7.65% in Social Security and Medicare W-2 income and it's broken down as follows:

- 6.20% Social Security tax up to the Annual Taxable Wage Base of $118,500, and this number has been increasing steadily every year – the higher the Annual Taxable Wage Base, the bigger the Social Security tax bite to high income earners in the United States.
- 1.45% Medicare tax with no threshold and/or income limitation – therefore, the higher the income the higher the tax amount.

According to governmental data[2]…

- 45.3% of Americans pay no federal income taxes in the United States – On the average, the bottom 40% are actually subsidized and receive governmental credit assistance.
- 54.7% of Americans pay all the federal income tax in the United States
- The richest 20% of Americans pay 86.8% of all federal income taxes in the United States
- The second richest 20% of Americans pay 12.9% of all federal income taxes in the United States
- And finally, the top 1% of Americans (average incomes in excess of $2.1 million) pay 43.6% of all federal income taxes in the United States.

So, when I hear Hillary Rodham Clinton and the Democrats say that the rich must pay their fair share, I wonder what their definition of fair share is – consider the following:

- American workers pay federal income taxes; for the most part, they don't pay capital gains taxes
- High income earners pay lower federal income taxes as a percentage of their total income, but the vast majority of their income comes from capital gains

[1] 2015 National Taxpayers Union Foundation
[2] 2015 U.S. Tax Policy Center

- Capital gains are taxed at a lower rate than federal income tax rates – why? Simply, the growth of America is based on taking risks while seeking the American dream – therefore, when you put your money at risk in order to start, build, and grow a business based on hard work and sweat equity, the government rewards you by giving you a tax discount for participating in business and economic growth
- Business owners risk their entire savings in order to achieve the dream, yet only a small percentage actually attain high levels of growth – hence, it is fair that they receive certain tax breaks that most Americans won't receive unless they invest with a high level of risk and/or economic consequences.

Small businesses are the mecca for economic growth in America because as a whole, they employ millions and millions of employees in the United States and abroad – these employees earn income, pay federal income taxes, along with all other associated taxes for W-2 income earners in this country, and it provides a better life for themselves and their families as part of normal family growth.

Let's use the following economic analogy in order to address how our U.S. income tax system truly works and the impact that additional tax impositions on high-income earners may have on the American society:

Suppose that everyday 10 individual go out to lunch and the bill comes to $100 – if the bill is paid the way that federal income taxes are paid in the United States, the $100 bill would be paid as follows:

- The first 4 individuals would pay nothing – they are the poorest in the group
- The 5th individual would pay $1
- The 6th individual would pay $3
- The 7th individual would pay $7
- The 8th individual would pay $12
- The 9th individual would pay $18
- The 10th individual (the richest) would pay $59

So that's what they all decided to do, but then, the restaurant owner threw them a curve ball – Since these 10 individuals came into the restaurant everyday for lunch, the owner decided to give them a 20% discount by discounting $20 out of the bill – so the lunch now costs $80.

For obvious reasons, the 10 individuals wanted to pay the $80 bill the same way they paid their taxes, so the first 4 individuals were unaffected – they ate for free! How about the other 6 individuals? How could they divide the $20 windfall so that everyone would get their fair share? As they proceeded to do the math, they realized that $20 divided by 6 individuals was $3.33, but if they proceeded to subtract that amount from everyone's share, then the 5th and 6th individual would end up being paid for eating lunch at the restaurant – so the restaurant owner suggested that it would be fair for each individuals' share of the bill to follow the U.S. tax system as they had done before when the bill was $100 – so…

- The 5th individual, as the other 4, paid nothing for the meal – they ate for free
- The 6th individual now paid $2 instead of $3 (a reduction of 33%)
- The 7th individual now paid $5 instead of 7 (a reduction of 28%)
- The 8th individual now paid $9 instead of $12 (a reduction of 25%)
- The 9th individual now paid $14 instead of $18 (a reduction of 22%)
- The 10th individual now paid $49 instead of $59 (a reduction of 16%)

As you do the math, the 6 individuals were better off than before, and the other 4 still ate for free – as they were outside the bar, the started to compare the discounted amount each of them received, and they were not very happy…

- The 6th individual said…"I only received a $1 out of the $20 while the 10th man received $10 off"
- That's right, exclaimed the 5th individual "I only got $1 off and it's not fair that the 10th individual received 10 times more benefit than I did"
- The 7th individual said "That's right, why should he/she receive $10 off when I received $2 back…the wealthy get all the breaks"
- Wait one minute, said the 1st four individuals in unison "We didn't get anything at all – the new tax system exploits the poor"
- The nine individuals surrounded the 10th individual and demanded some of the money back so they beat him up for no reason whatsoever

Guess what…the next day

- All nine individuals showed up for lunch except for the 10th individual
- When it came to pay the bill, they realized something quite important…they didn't have enough money amongst all of them to even pay half of the bill

And that, boys and girls, and members of the press, is how our tax system works…

- The individuals who pay the highest tax will receive the highest tax benefit from a tax reduction
- If you tax them too much, or attack them for being wealthy, they may just not show up to lunch
- In fact, they may start having lunch overseas where the tax atmosphere is friendlier than it is in the United States…and that is happening as I write this white paper.

For those of you that understand, congratulations! For those of you who do not understand, no explanation can possibly help you understand the world of Economics…nevertheless, make sure you don't bring a knife to a gunfight!

Although the above-depicted analogy has been told 100 times in the past, it is more relevant today than ever before. Most of the clients I engage for the first time are just rearranging the chairs on the Titanic because they fail to understand the rules of engagement when it comes to building wealth – the Titanic sank April 15, 1912, and many of its crew members were literally rearranging the chairs in all dining areas even though the ship was sinking – the blindest person in the world is the one that refuses to see! Moreover, and according to many historians, the unsinkable Titanic was destined to sink even before it sailed from Southampton, England. See, due to budget cuts and over-spending, the ship's rotter was too small for the size of the ship, and the ever-lasting rivets that held the ship together were reduced in quality at the center of the ship in order to stay on budget. Hundreds of other items had less quality than anticipated in an attempt to save money while promoting the grandeur of the seas.

The Titanic carried 2,200 hundred passengers, and only 700 survived – again, not enough life boats for all 2,200 passengers and therefore, 1,500 of them perished in the freezing and shivering waters of the North Atlantic. As in the Titanic, Americans need to protect against what can go wrong before they invest in what could go right – most of the clients I engage for the first time have done it the other way around – they have invested for the future with little or no protection from an economic perspective.

The U.S. Treasury is another governmental gunfighter that is fully locked and loaded when it comes to the gunfight – the Treasury has the ability to print money at their discretion, and as consumers and citizens of the United States, we have no control of when and how much money the Treasury prints on an annual basis. Bear in mind that the more money the government prints, the lower the value of our individual dollars based on supply and demand economics. Inflationary cost and/or depreciation of our personal economics currency through traditional inflation reported numbers are not tax deductible – therefore, the impact of said depreciation dollars provide a tremendous and inclusive loss of purchasing power from one year to another.

Moreover, reported Consumer Price Index (CPI) does not take into consideration the price increases of food, energy, and healthcare – inflation rates are much higher than what the CPI reports on an annual basis. Be prepared; do not bring a knife to the inflation gunfight – riskless investments and guarantees assist Americans in fighting off inflation and depreciation of their personal economic dollars.

When it comes to fighting the governmental gunfighters, remember the following: "The government cannot give us anything that they don't take from us first" – be prepared and ready to fight.

III. Major Corporations Gunfighters

The primary existence and goal of every major corporation in the United States and throughout the world is to adhere, plan, and coordinate in their business models the following rules:

- They want our money
- They wanted systematically

For instance, every major product sold and/or developed carries an obsolete formula deadline even before it is brought to market (a replaceable date) – most corporate product developers are working 2 to 3 generations ahead of the product they are bringing to market today - money in motion increases rates of return (ROR) and return on investment (ROI) for major corporations and their shareholders.

How many people do you know that stand on line for 3 or 4 days at the announcement of a new iPhone being launched by Apple. Hundreds of billions of dollars are spent annually in marketing by major corporations in an attempt to get at our money, and they are extremely successful at doing so. As a matter of fact, and according to Media Dynamics[3], the average number of advertisement and brand exposures has reached 5,000 per day per person – out of the 5,000, related ads exposure equal 362 (TV, radio, internet, and newspapers and magazines).

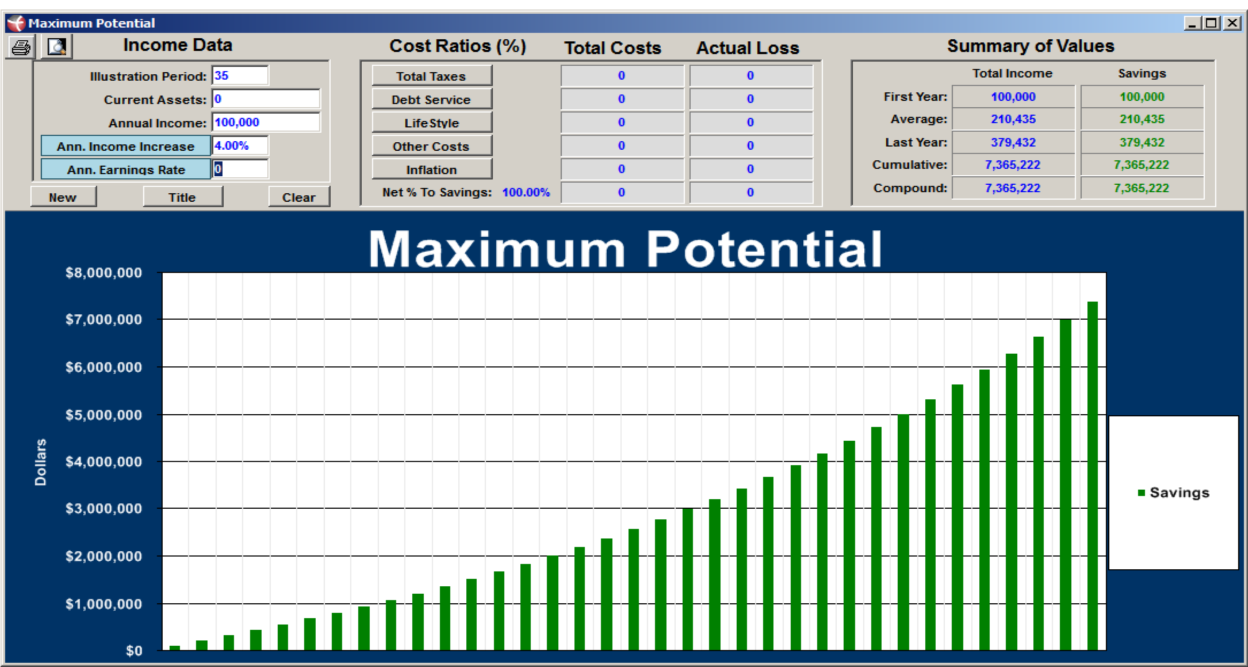
How do we combat such a bombardment of advertising and marketing? How do we protect ourselves from products and services that we may/may not need in our lives? We do so by not bringing a knife to a gunfight! What do we bring? We bring the Opportunity Cost Shield to the table in order to minimize the effect of all the economic decisions we make in our lives.

In Economics, opportunity cost is defined as "the loss of potential gains from other alternatives when one alternative is chosen" – this is what I call the Opportunity Cost Shield, and without it, it will be impossible for anyone to create and/or build wealth. Remember, it is not how much money you make, but how much money you keep!

Economics is defined as the "management of scarce resources" – it is the branch of knowledge concerned with the production, consumption, and transfer of wealth. Therefore, money is a scarce resource that must be utilized efficiently and effectively as it comes in or leaves our personal and family economy.

Most of the clients I engage for the first time will earn a tremendous amount of money in their lifetime, but they will not build wealth and/or be financially independent at retirement – if Americans do not know the rules of engagement and/or how money truly works, opportunity cost will be a detriment to them and to their families.

For instance, a 30-year-old professional earning $100,000 of income annually with annual income increases of 4% will earn over $7.3 million during his/her working years (Summary of Values Column diagram).



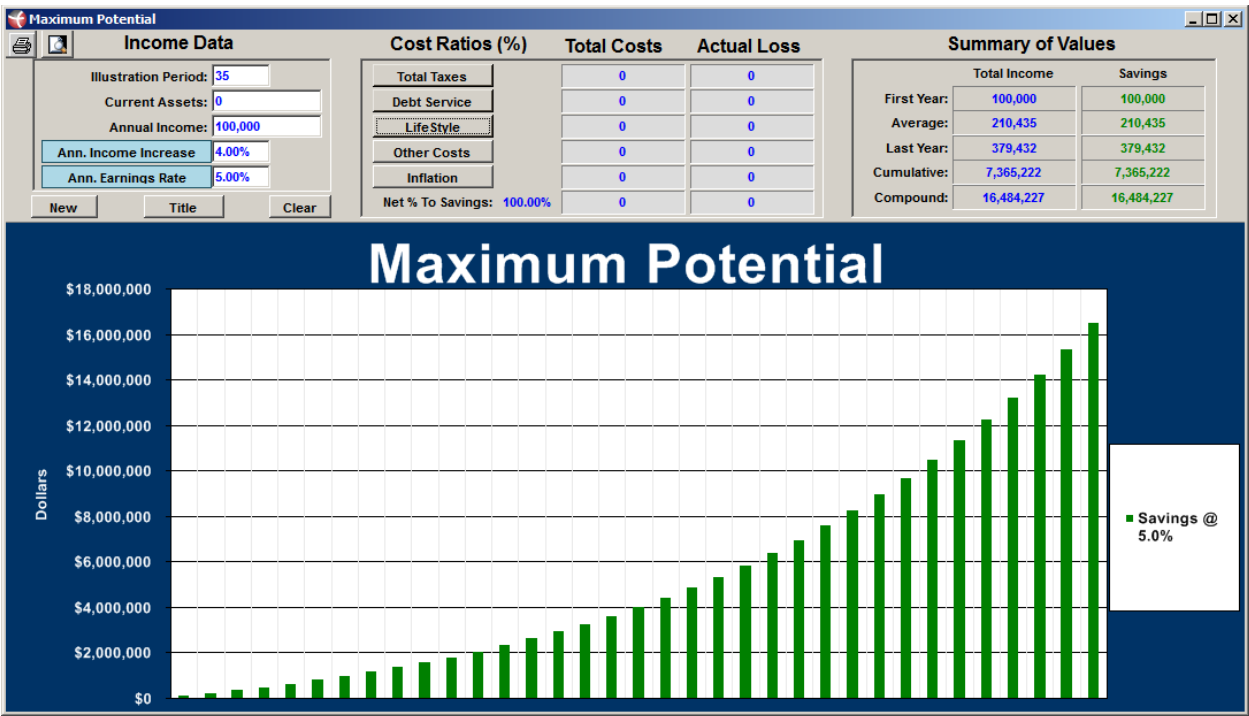
[4]

[3] 2014 Media Dynamics Report
[4] Truth Concepts Calculators

Now, if this 30 year-old had no expenses whatsoever and saved every penny he/she ever made, the potential economic value would be almost $16.5 million over a 35 year period (see Summary of Values column in the below diagram) – that is maximum economic potential!

Yes, I understand that said equation is not possible, but the idea here if for clients to understand their maximum income potential regardless of what they do with their money. By having a clear understanding of how money works, along with the true cost of leakage, my clients develop a keen sense of how to manage scarce resources in the following ways:

- They learn that money is a scarce resource that must be managed correctly
- They learn that financial decisions should/need to include opportunity cost calculations
- They learn to build wealth efficiently for themselves and their families
- They learn to enjoy their wealth without fear of scarcity and/or depletion



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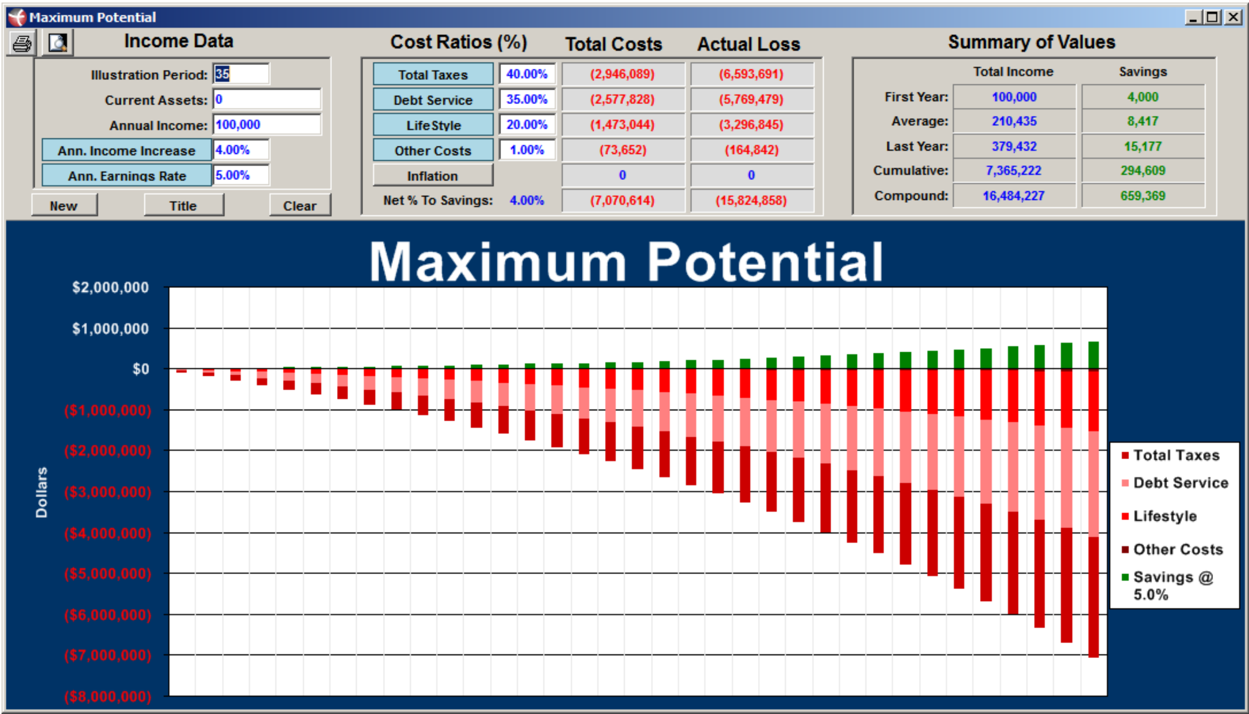
The below diagram depicts this same 30-year-old with a mere $659,000 at age 65 due to the eroding factors of taxes, debt service, lifestyle, and opportunity cost – indeed a financial catastrophe!

[5] Truth Concepts Calculators



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How did it happen? This 30 year-old went from an economic potential of almost $16.5 million, to a mere $659,000 at age 65 – the answer is economic leakage and loss opportunity costs.

As you can see in the above-depicted diagram, taxes represented over $2.9 million in leakage, but the loss opportunity cost on that leakage was over $6.5 million – a loss opportunity cost of $3.6 million! Since the definition of opportunity cost is "the loss of potential gains from other alternatives when one alternative is chosen", please consider the following:

- Had this 30-year-old not pay taxes on earnings, then said 40% of taxes ($2.9 million) would have continued to grow at the asset rate of 5% and thus would have amounted to ($6.5 million) of additional assets in the client economic portfolio.
- The same calculations would apply to debt service and lifestyle – just by reducing the outflow of necessary and/or unnecessary expenses out of this 30-year-old personal economy, the economic values at age 65 would have been totally different and more robust.

Many of my clients love their toys, and they are willing to spend lots of money on toys. For that reason, they enjoy driving high priced automobiles, which they either lease or buy on a regular basis. As an Economics advisor, my job is to save my clients from themselves, and although I'm very good at what I do, sometimes you cannot fix stupid. Other clients still drive high priced automobiles, but they use opportunity cost calculations in order to arrive at a comfortable position in regards to lifestyle and debt service.

Let's take a look at the below automobile purchase calculator over a 35-year period. We all need cars, unless you live in a high metropolitan area with excellent railway and transportation systems (Boston, New York, Chicago). Therefore, the point here is not the issue of not driving, but the issue of reducing your leakage while maintain an adequate driving experience.

As you can see in this exercise, this individual was saving $20,000 annually (excellent savings rate based on $100,000 of gross income), and increasing his/her savings by 4% annually in order to keep up with inflation. Moreover, this individual was earning 5% on savings on an annual basis without discounting for sequencing of returns. Additionally, this individual was purchasing a new vehicle every 5 years, and was paying $40,000 every 5 years with a factored 3% automobile cost increase (automobile cost increases are higher but I kept it at 3% due to trade-in offsets). I also added sales taxes, insurance cost, and insurance cost inflationary increases. You will notice the following:

[6] Truth Concepts Calculators

- The total value of savings and rate of return (ROR) on savings over a 35 year period amounted to $3,296, 845 – that is an excellent savings program.
- The automobile purchase leakage amounted to $619,994 (7 automobile purchases over 35 years)
- Notice that the true cost of these automobile purchases amounted to $1,558,214 (loss opportunity cost on the automobile purchases that left the client's personal economy which were no longer earning the 5% ROR)
- Finally, the actual asset value with all of the automobile costs was $1,738,631 (a leakage of 53% of the original asset value of $3,296,845)

Automobile Purchases

Title | Clear | NEW

Current Value of Assets: 0
Annual Savings: 20,000.00
Annual Savings Increase (%): 4.00%
Net ROR on Savings (%): 5.00%
Number of Years: 35
Year of 1st Purchase: 1

Auto Purchase Frequency (yrs): 5
Actual Purchase Price: 40,000.00
Ann. Auto Price Increase (%): 3.00%
Sales Tax Rate (%): 7.00%
Ann. Auto Insurance Premium: 1,800.00
Ann. Insurance Increase (%): 4.00%

Future Asset Val. WITHOUT Autos: 3,296,845
Cumulative Auto Costs: (619,994)
Actual Asset Val. WITH Auto Costs: 1,738,631
True Cost Of Automobiles: (1,558,214)

Yr	Annual Savings	EOY Asset Value NO Auto Costs	Automobile Purchase	Sales Tax	Auto Insurance	Cumulative Auto Costs	EOY Asset Value WITH Auto Costs	Loss of Future Asset Value
1	20,000	21,000	(40,000)	(2,800)	(1,800)	(44,600)	(25,830)	(46,830)
2	20,800	43,890			(1,872)	(46,472)	(7,247)	(51,137)
3	21,632	68,798			(1,947)	(48,419)	13,060	(55,738)
4	22,497	95,860			(2,025)	(50,444)	35,209	(60,651)
5	23,397	125,220			(2,106)	(52,549)	59,326	(65,895)
6	24,333	157,031	(46,371)	(3,246)	(2,190)	(104,356)	33,444	(123,587)
7	25,306	191,454			(2,278)	(106,634)	59,297	(132,157)
8	26,319	228,661			(2,369)	(109,003)	87,409	(141,252)
9	27,371	268,834			(2,463)	(111,466)	117,933	(150,902)
10	28,466	312,166			(2,562)	(114,028)	151,029	(161,137)
11	29,605	358,859	(53,757)	(3,763)	(2,664)	(174,212)	126,472	(232,387)
12	30,789	409,131			(2,771)	(176,983)	162,215	(246,916)
13	32,021	463,209			(2,882)	(179,865)	200,921	(262,288)
14	33,301	521,336			(2,997)	(182,862)	242,787	(278,549)
15	34,634	583,768			(3,117)	(185,979)	288,019	(295,749)
16	36,019	650,776	(62,319)	(4,362)	(3,242)	(255,902)	266,821	(383,956)
17	37,460	722,647			(3,371)	(259,273)	315,954	(406,693)
18	38,958	799,686			(3,506)	(262,779)	368,976	(430,709)
19	40,516	882,212			(3,646)	(266,426)	426,138	(456,074)
20	42,137	970,567			(3,792)	(270,218)	487,707	(482,859)
21	43,822	1,065,108	(72,244)	(5,057)	(3,944)	(351,464)	472,798	(592,310)
22	45,575	1,166,218			(4,102)	(355,565)	539,986	(626,233)

[7]

And here is what I mean when it comes to automobile purchases…be a smart business decision maker and still drive the automobile of your choice. In the below exercise, this same client decided to purchase a brand new automobile every 10 years instead of every 5 years – Notice the difference in leakage on the account after 35 years.

[7] Truth Concepts Calculators

Automobile Purchases

Current Value of Assets:	0	Auto Purchase Frequency (yrs):	10	Future Asset Val. WITHOUT Autos:	3,296,845
Annual Savings:	20,000.00	Actual Purchase Price:	40000	Cumulative Auto Costs:	(414,082)
Annual Savings Increase (%):	4.00%	Ann. Auto Price Increase (%):	3.00%	Actual Asset Val. WITH Auto Costs:	2,275,969
Net ROR on Savings (%):	5.00%	Sales Tax Rate (%):	7.00%	True Cost Of Automobiles:	(1,020,877)
Number of Years:	35	Ann. Auto Insurance Premium:	1,800.00		
Year of 1st Purchase:	1	Ann. Insurance Increase (%):	4.00%		

Yr	Annual Savings	EOY Asset Value NO Auto Costs	Automobile Purchase	Sales Tax	Auto Insurance	Cumulative Auto Costs	EOY Asset Value WITH Auto Costs	Loss of Future Asset Value
1	20,000	21,000	(40,000)	(2,800)	(1,800)	(44,600)	(25,830)	(46,830)
2	20,800	43,890			(1,872)	(46,472)	(7,247)	(51,137)
3	21,632	68,798			(1,947)	(48,419)	13,060	(55,738)
4	22,497	95,860			(2,025)	(50,444)	35,209	(60,651)
5	23,397	125,220			(2,106)	(52,549)	59,326	(65,895)
6	24,333	157,031			(2,190)	(54,739)	85,542	(71,489)
7	25,306	191,454			(2,278)	(57,017)	113,999	(77,455)
8	26,319	228,661			(2,369)	(59,386)	144,847	(83,815)
9	27,371	268,834			(2,463)	(61,849)	178,242	(90,592)
10	28,466	312,166			(2,562)	(64,411)	214,354	(97,812)
11	29,605	358,859	(53,757)	(3,763)	(2,664)	(124,595)	192,964	(165,895)
12	30,789	409,131			(2,771)	(127,366)	232,031	(177,100)
13	32,021	463,209			(2,882)	(130,248)	274,228	(188,981)
14	33,301	521,336			(2,997)	(133,245)	319,759	(201,577)
15	34,634	583,768			(3,117)	(136,362)	368,839	(214,928)
16	36,019	650,776			(3,242)	(139,604)	421,697	(229,079)
17	37,460	722,647			(3,371)	(142,975)	478,575	(244,073)
18	38,958	799,686			(3,506)	(146,481)	539,728	(259,958)
19	40,516	882,212			(3,646)	(150,128)	605,428	(276,784)
20	42,137	970,567			(3,792)	(153,920)	675,961	(294,606)
21	43,822	1,065,108	(72,244)	(5,057)	(3,944)	(235,166)	670,465	(394,644)
22	45,575	1,166,218			(4,102)	(239,268)	747,535	(418,683)

[8]

The 10-year automobile purchase decision produced the following:

- A leakage savings and/or recapture of $537,337
- The recaptured leakage of $537,337 can produce $42,987 of annual guaranteed income for life in retirement
- The ability to use recaptured leakage of $537,337 as a velocity of money multiplier (purchasing an income producing real estate property and/or purchasing life insurance to enhance estate value on a tax-preferred basis)
- Investing the recaptured leakage on income producing bridge loans, life settlements, and/or other alternative investments suitable for this specific client

Finally, this client could have reduced leakage by purchasing these automobiles as pre-owned and/or a extending the purchase frequencies (delayed purchase plus pre-owned) thus maximizing leakage recapture for future goals and objectives.

IV. Financial Institutions Gunfighters

Now comes the financial institutions gunfighters…be extremely careful with this group! They have a tendency to preach and preach but most of their stories do not benefit the consumer as much as it benefits their own ideals and objectives.

Working in solidarity with the government and major corporations, financial institutions also adhere to the same rules of economic engagement – the following 4 rules provide profitability milestones and maximum control for these economic gunfighters:

- They want our money
- They wanted systematically…and exponentially
- They want to keep if for as long as possible…and
- The want to give it back to us as little as possible and over many years of distribution

[8] Truth Concepts Calculators

Additionally, these financial institutions gunfighters partner with the government and major corporations in order to create financial straddles that only benefit the gunfighters from an economic standpoint.

For example, Primerica Insurance Company is owned by CitiGroup – for years, Primerica has been preaching the Buy Term Invest the Difference concept to the American public. Their concept simply states that you should purchase term insurance in order to protect your family because it is a cheaper product and then cancel said product at retirement. In the meantime, you should have been investing the difference in mutual funds until retirement and "hopefully" you will have enough money to retire on in 25 or 30 years – it does sound harmless to most Americans and many of them follow the first part of the theory.

The buy term and invest the difference theory has many challenges and ill-marked notions – first and foremost, "hope" is not a financial strategy, and if you don't know the guaranteed amount of income you will have in retirement, you don't have a retirement plan…you have a hope plan! Second, most Americans will not invest the difference…they will spend the difference.

Third, even if Americans invest the difference, here's what they have accomplished on behalf of the financial institutions and themselves:

- They purchased term insurance at a point in time where the probability of death in minimal (yes, no one ever dies at the right time, but the probability is quite low), and they cancel the term insurance at a point where the probability of death is closer to 100%.
- According to the National Association of Insurance Commissions (NAIC)[9], 97.5% of all term insurance sold in the United States never pay a death benefit (policy lapses or cancellations) – From a financial perspective, financial institutions love to promote and sell products whereby the return on investment (ROI) is enormous due to product features and benefits. Financial institutions collect hundreds of millions of dollars annually on term insurance premiums and very little of it is paid out in benefits. A tremendous revenue generator to Primerica, CitiGroup, and many other financial institutions.
- The second part of this famous concept is to invest the difference in mutual funds – over 85% of all mutual fund money managers seldom beat the indexes but they collect hundreds of billions of dollars in management fees annually. Moreover, the individual investor carries all the investment risk associated with mutual funds, yet the financial institutions carry no risk and they earn their fees regardless…you make money, they charge fees; you lose money, they charge fees; you break-even, they charge fees – welcome to the American financial cartel! Again, follow the bouncing ball and peel the onion.
- When you put it all together, these financial institutions sell Americans a product combination bundle (term insurance and mutual funds) where they earns hundreds of millions of dollars in term insurance policies that will seldom pay a benefit, and they earn billions of dollars in fees in mutual funds that carries no risk to the financial institution yet bears all the risk for the average American investor.
- Term life insurance and mutual funds serve a purpose, but it is not optimum purpose, and the purpose of Economics is to manage scarce resources and to increase maximum efficiency of economic assets while reducing the loss opportunity cost of financial decisions and investments.

Following you will find the true economic cost of buying term life insurance using the loss opportunity shield calculations – please bear in mind that although the term insurance premium is lower, the cost is much higher compared to choosing permanent life insurance instead – I do know that in Economics, the majority is always wrong, henceforth, I have a tendency to question everything that has to do with finances.

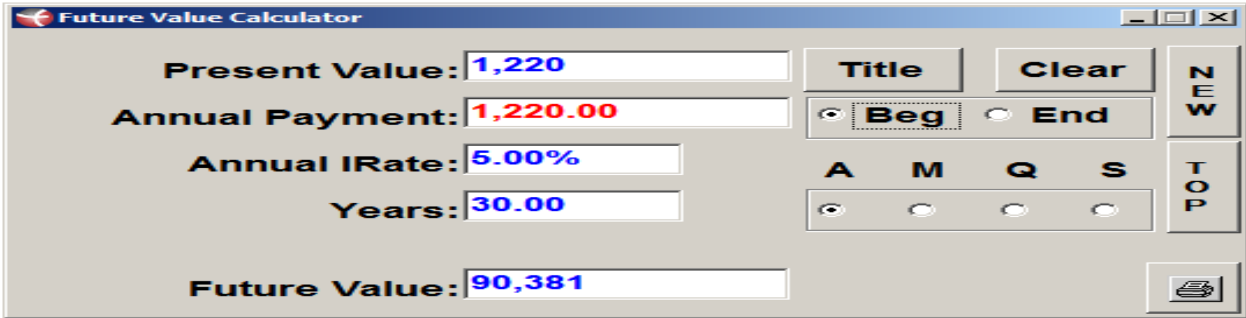
Most Americans and the majority of my clients never peeled the onion prior to working with me, and therefore, they were not truly understanding and identifying economic leakage out of their personal economy.

A 35 year-old preferred male could purchase a $1 million policy for a guaranteed period of 30 years for $1,220 annually – If said person did not die by age 65, the total premium paid for that term insurance purchase was $36,600 ($1,220 annual premium x 30 years). And that's where everyone stops…period.

Now consider the following – the actual cost of the 30 year term life insurance policy was not $36,600 (that was the premium); the actual cost is much higher (loss opportunity cost calculation) – for example, if this individual had a crystal ball that showed that he was not going to die over a 30 year period, he could have invested the $1,220 annually in

[9] The 2014 National Association of Insurance Commissioners (NAIC) Report

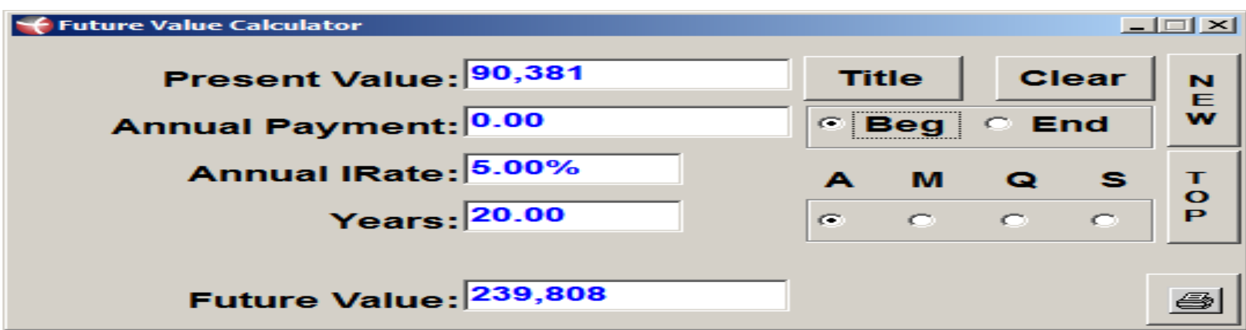
another vehicle earning 5% - In that case, the true opportunity cost of purchasing this 30 year level term insurance product was not the premium of $36,600, but the total amount of loss opportunity cost which includes the annual premium plus what that annual premium could have grown to at age 65:



Wow, this financial decision cost this individual $90,381 out of their personal economy…but it will actually get much worse. Why? Because my economic position with everyone of my clients is that "why should they have a cost when they get what they want?" See, this 35-year-old did not want to die by age 65, but if he got what he wanted, he lost $90,381 in economic wealth and future enjoyment.

Didn't I say it was going to get much worse? Well, let's say that above-depicted individual lives to age 85 and then dies peacefully. From an economic perspective, the $90,381 term insurance decision cost (premium + loss opportunity cost @ 5%) is a loss in perpetuity for the following reasons:

- Between the ages of 65 and 85, this individual did not have the enjoyment of the forgone term insurance premium and its opportunity cost (see calculation below).
- Needless to say, at the age of 85, the family unit as a whole lost the death benefit proceeds of $1 million on a tax-free basis plus the family enjoyment of the premium and the loss opportunity costs throughout the 50 years of life after the purchase of the term life insurance contract.



You must remember to always peel the onion when it comes to decision-making options – the true economic cost of purchasing term life insurance for this 35-year-old individual and his/her family was $1,239,808 (term insurance premium ($36,600) + loss opportunity cost on premium for 50 years ($203,208) + forgone death benefit ($1 million). Notice that the loss opportunity cost was 6.5 times the premium, and if more Americans learned how to make financial decisions using a common sense approach to loss opportunity cost, they would find themselves as part of the top 20% of the population as opposed to the bottom 20%.

Term life insurance does play a role in the financial world, but the application of proper and sound economic straddles using economic principles are paramount in order to achieve financial independence.

For years, financial institutions and the government have partnered in a "viable" attempt to assist the masses. For a small percentage of Americans, the creation of certain products by financial institutions partnering with government laws and guidelines may serve as beneficial tools of financial assistance and perseverance. For the majority of Americans, it is nothing more than a way to protect the government and financial institutions in a capitalist society whereby the majority of the people are inherently ignorant to the laws of Economics.

Take for instance 401ks, 403bs, IRAs, Defined Benefit Plans, and mutual fund investments – These plans and/or plans of investments are totally controlled by the government and/or financial institutions. Any financial recommendation and/or product that carries a number (401k, 403b, 408, 457, 412e) is fully controlled by the government and financial institution gunfighters…these products carry certain tax deferred benefits that may or may not be beneficial to the average American, but they also carry lots of fees and penalties along with a lack of velocity of money multiplier effect that incrementally affects the growth of wealth in a family unit.

Have you ever heard of the Velocity of Money Multiplier Effect? None of my clients had ever heard of this economic principle prior to working with me – since Economics deals with the management of scarce resources, one of the key principles focuses on the maximum utilization of economic dollars, money in motion, and a velocity of money multiplier.

A dollar invested in one of the above-depicted governmental and financial institutions' numbered programs (401k, 403b, 408, 457, 412e) provides basically tax deferred growth, forced savings, and asset protection – yet, a dollar invested in other economic vehicles and/or straddles can provide tax preferred growth, tax free distribution, forced savings, asset protection, family protection, long term care protection, disability protection, liquidity, accessibility, higher external rate of return on other assets in the portfolio, and family unit recapture capabilities on ill-spent assets, lost opportunity assets, and past financial mistakes.

As you can see, every time a dollar can fulfill multiple needs and/or resolve multiple issues and concerns, then you have a more effective and efficient use of that dollar – a dollar in your personal economy is a scarce resource that must be properly utilized. Joe Jordan[10] said "intrinsic value is not about rates of returns; intrinsic value is about how big of a problem you can solve" – a dollar enhanced through velocity of money multiplier and money in motion economic techniques solves a multitude of problems that most Americans fail to properly address due to their lack of economic knowledge.

V. What Weapons Should Americans Bring to the Gunfight

First and foremost, Americans should be bringing not just a specific weapon and/or product to the gunfight, but they must bring economic straddles of powerful weapons, along with a basic understanding of economic principles and business application of these economic principles to the decision making process.

Although we must use the government, major corporations, and financial institution in our every day lives, it is important to understand their economic impact through a telescopic view – moreover, we should be taking the very best that they offer and create what I call Consumer Protection Economic Straddles.

Consumer Protection Economic Straddles allows Americans to pick and choose the best features and benefits from certain products and then match them to the best features and benefits of other products in order to create, enhance, and protect economic erosion from traditional financial planning.

The following products and/or concepts create consumer protection strategies for Americans that formulate overall economic shields in areas of taxation, inflation, planned obsolescence, opportunity costs, interest rate volatility, stock market volatility, and the 4 major risks facing Americans today and in the future (the risk of dying too soon; the risk of living too long; the risk of living with a disability; and last but not least, the risk of living with eroding factors).

All of these economic straddles are fully engaged and structured through the Cambridge Capital Management System (CCMS) – our system provides the conduit necessary to win the gunfight at the highest optimum level of economic effectiveness and efficiency.

[10] Living a Life of Significance

By following our economic business management process, you will never bring a knife to a gunfight! As a matter of fact, you will be quietly in control of all your financial decisions throughout the 3 states of economic life (accumulation, distribution, and conservation). Most important, you will end up with more money, more assets, and more distribution flexibility than many other Americans that earn 3, 4, or 5 times more money than you do.

At Cambridge, we assist our clients in changing the way they see things, because when they change the way they see things, the things they see change.

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