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Get Real! MONEY

7 Get the Money
You Want in Just
Minutes a Day

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CHAPTER 3

The Get Real! Game Plan for 21st Century Success

IMAGINE LIVING YOUR LIFE on old financial ideas destined for failure, yet hoping somehow, some way, some day, that old idea will work just because you hope hard enough. Can you afford to trust your future to old, outdated ideas that are leaving most Americans living paycheck to paycheck?

Here's the real American dream today: *not having to work for money*. Imagine that—living in America, enjoying the great freedoms and luxuries, and not having to work. That's what most people call "retirement." Well, now's the time to *get real* with the facts and perhaps reinvent your definition of retirement. By the way, if you're younger than some of us, you, too, will figure it out real soon: You won't want to *have* to work for money forever.

Get Real!**We're living a lot longer**

Here are a few reasons you will need to reinvent your idea of retirement. Today, we're living longer—a lot longer. The average life expectancy for men and women in the United States is about eighty years. Many more of us are living well into our nineties and even past 100. The demographics of our society have changed dramatically since our parents' day.

In the 1930s, when Social Security was enacted, the average life expectancy for men was sixty-two. Social Security was instituted to be supplemental income specifically for widows and those well into their senior years. It wasn't designed as a retirement fund for every person who ever worked and could still work. Today, the majority of politicians don't like to talk about the realities of the financial condition of the Social Security system; it doesn't get them elected. According to *USA Today* (January 20, 2003):

"Last week, the General Accounting Office, the auditing arm of Congress, issued a chilling report. Without badly needed reform, Social Security is rapidly headed for financial ruin. . . . Acting today to make Social Security solvent in the long term would require a 15 percent hike in payroll taxes."

I don't know anyone who wants another 15 percent taken out of his or her paycheck before payday. If we continue much longer, we'll have a lot of disappointed baby boomers when their time to retire arrives. The over-85 population is expected to rise by 54 percent to 6.8 million by 2020. These people will need a place to live, and most likely government assistance. The question is, who is going to pay for it?

Get Real!**Don't get trapped in your senior years being dependent on government assistance**

Currently, the government covers about 60 percent of the cost

In America, we're living an average of thirty years longer than we did 100 years ago, and we're desperately trying to survive on a 100-year-old financial strategy that's long outdated and broken. We get halfway done with life, and we're considered unemployable because we expect too much from employers who can't possibly deliver. Most people at age fifty aren't willing to make the sacrifices a twenty-two-year-old would make for a career commitment. Fifty-year-olds want paid time off, retirement benefits, health insurance, employment security, and on top of that, they want a seasoned employee's income.

Employers, on the other hand, are looking at the price of the stock. They realize they can hire a person right out of school who doesn't have all the demands a seasoned employee does, is willing to work longer hours, is newly educated in the knowledge economy—and besides, they can hire that less experienced person for two-thirds the salary!

You see, as a society we bought into the idea of the *job* during the Industrial Revolution, which eventually resulted in unionized labor with negotiated benefits from employers in return for employees' work commitment. In the long run, that commitment has turned many people in America into slaves of the system that's now eating them alive.

Get Real!

Develop a plan for financial independence

Most people are expecting to have retirement money magically coming from one or a combination of three places. Let's get real and look at each:

1. Company retirement plan
2. Social Security
3. Personal savings

Get Real!

Take into consideration the four primary factors of any rock solid financial plan

Money Factor #1: Expected Life Span

It's amazing to realize that we're living thirty years longer than people did 100 years ago. Medical science has adapted and found how to *prevent* diseases that were killing us 100 years ago—we never actually cured them. For example, 100 years ago the primary causes of death were flu, pneumonia, and tuberculosis. We never discovered how to cure these conditions, but we've learned how to prevent them. Today, the leading causes of death in America are heart disease, stroke, and cancer. In fact, we've discovered a lot about preventing all of these, and life expectancy continues to rise. Is it possible you may live to be 100 plus? What happens if you buy into the sixty-five-year game plan like many people do and you end up living to be 99 or 103 like my grandmothers?

Money Factor #2: Cost of Living and the Time Value of Money

Today, on average, we live eighteen years in retirement. How will the cost of living affect the lifestyle of an individual who retired at age sixty-five and plans on living on a *fixed* income when he or she ends up living well into their nineties? On average over the last 100 years, the cost of living has increased at just about 3 percent per year. This means the buying power of money is constantly decreasing by 3 percent annually. Ask anyone living on a fixed income. It isn't easy. After a few years it becomes evident that it isn't fun! Besides, they've worked their entire lives and now they *finally have time* to have some fun. Suppose they have grandchildren and want to spend time with them spoiling them a bit. It all costs money! Imagine retiring on half to two-thirds of what you were living on when you were working. That's quite a cut in your lifestyle—and

you've just retired!

You must take into consideration the *time value of money*. Over time, the value of money decreases because its buying power decreases. The same \$50,000-a-year income today will have only \$20,600 of buying power thirty years from now adjusted for inflation.

Money Factor #3: Investment Rate of Return

An investor will earn either a “fixed” rate of return or a “variable” rate of return. Whenever you opt for a fixed return, you are taking less risk and are rewarded with a smaller return. The opposite is true for a variable rate of return. When you take a variable rate of return, you are willing to flow with the ups and downs, the changes in the markets you invest in. You may at one point receive a higher rate of return than the fixed investor, and at another time you end up with less. You'll find more on investing in chapter 10.

Money Factor #4: Unexpected Events

Life is filled with the unexpected. Most of my students over the years have been blindsided at least once. These events can be financially devastating. They do happen, and they happen to most people at some point in their lives.

Health problems, relationship setbacks, child problems, job loss, and physical accidents are all uncontrollable events in life. No matter how well we plan, we can't control everything. All you can control is how you deal with them. Either way, you've got to move forward with your financial plan, hoping for the best, yet being realistic. *Stuff happens* that will change all the best of intentions overnight. I suggest you plan for the best, yet temper it with these things in mind. Suppose your only form of income comes from physical labor. What happens if you physically can't do that work any more? It's time to adjust your expectations and make another plan. As a professional speaker, I realize that the income I derive from speaking could end instantly

because of a situation I don't control. So I've developed other sources of income to create a diversified income base, which creates a safety hedge in case that happens.

You will need a *financial independence game plan* to reach the goal. It doesn't just happen all by itself. I'll be giving you definite investment details in chapter 10. For now, you must get in touch with your real desires concerning your financial future.

Financial independence comes only to those who diligently pursue it with self-discipline. Ask yourself these questions, which will help you get in touch with what you want, and if you want it badly enough.

- How will I feel if I *have to keep working* well into my seventies or eighties even though I don't want to?
- How will I feel about myself if I become dependent on government assistance for food and housing?
- How will I feel about myself if I never get out of debt?
- How will I feel if I have nothing left to pass to my heirs?
- How will I feel not being able to enjoy the simple pleasures in life, such as dining out or golfing once in awhile?
- How will I feel not having extra money to give my grandchildren for presents?

I could go on and on. I know what you may be saying: "Oh, not me! This will never happen to me." Maybe you need to visit a few government-subsidized assisted living facilities and ask these people their story. I have. You'll find smart, educated, hard-working people who spent years providing for their families. People that were just like you. I'm afraid America will be filled with old baby boomers who are flat broke sooner than they think. Yes, you do need a new game plan for the 21st century.

Get Real!

If you're not working on a financial *independence* game plan—you're working on a financial *dependence* game plan

The question really isn't *whether* you need a plan. I know you understand that. The question is more a matter of *when* you plan to achieve your goal. I suggest you choose a year that you are working toward. Forget choosing an age; just go with the year. I've worked with young people who are well on their way as long as they stay the course. And I've worked with thousands of older people who are starting from scratch again. Some of our greatest American legends have amazing stories to tell. Henry Ford was forty-two and unable to buy a Christmas tree for his family. J.C. Penney was nearly bankrupt in his sixties yet went on to phenomenal wealth. Colonel Harland Sanders of Kentucky Fried Chicken fame was tight on cash in his late sixties while getting KFC off the ground.

Yes, I do understand that starting older is challenging—but the best comes out when we are most in need. I've also found that with age comes wisdom. Practical insights from the lessons of life are extremely valuable in the real world of money-making. I have had the privilege of being involved with many intelligent older Americans who are improving their financial lives in their senior years. I'm amazed by them and what they have accomplished.

Get Real!

Include in your plan a provision for major expenditures along the way

Part of your financial game plan will need to include money for the major expenses along the way toward financial independence. Raising children, caring for elderly parents, and improving current living conditions are just a few of the costly items along the way that need to be planned for. All these

things cost money. Decide now, rather than later, that you will need more money. Be sure to take action on the things that create more money, so you will be able to reach your goals. Do not procrastinate any longer!

Get Real!

Develop a mental picture and plan for living a long, healthy, and active life

As you age, plan what you want the future to look like. Are you looking forward to healthy living, being in good physical condition, and enjoying your life? What is the picture you see and carry with you everywhere you go? Your plan contains a mental picture of your future. Don't wait until you are there. Get a clear picture now, so your mind will direct your steps and create opportunities for the fulfillment of your dreams.

As you put together your game plan to get real money, you must include each of *The Five Master Money Strategies* discussed in the next chapter.

The Four Money Factors of a Rock Solid Financial Plan

- Money Factor #1:** Expected life span
- Money Factor #2:** Cost of living and the time value of money
- Money Factor #3:** Investment rate of return
- Money Factor #4:** Unexpected events