Seven Secrets to Reaching Your Financial Goals and Dreams—Over the Next 12 Months

A Special Report by Pamela Yellen, author of
The New York Times Best Seller

Bank On Yourself®: The Life-Changing Secret to Protecting Your Financial Future

and

The Bank On Yourself Revolution: Fire Your Banker, Bypass Wall Street, and Take Control of Your Own Financial Future

In this Special Report, financial security expert Pamela Yellen reveals …

- **How to set *meaningful* financial goals—and reach them**
- **Why you *must* know the difference between saving and investing**
- **How to be prepared for the unexpected**
- **The *best* place to stash your cash**
- **How to build your own financial secret weapon**
- **A *powerful wealth-building strategy* so simple a child can understand it**
- **Why you can't eat a number on paper (even though most people try)**
- **The seven questions to ask yourself, to *stay on track***

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Seven Secrets to Reaching Your Financial Goals and Dreams—Over the Next 12 Months

Are the seven secrets to reaching your financial goals and dreams *really* secrets? Yes, simply because so many people don't know them. But the secrets to reaching your financial goals aren't magic. They aren't complicated. And they *do* work.

And sometimes, folks who *do* know the secrets ignore them! For some people, it's easier to make excuses than to do what's needed to get out of a financial rut. And sometimes, common sense isn't too common.

But *you*, on the other hand, are reading *The Bank On Yourself Revolution* and this Special Report. That sets you apart from "most people." And that makes me think you're one of the wise ones—someone willing to take action to actually *reach* your goals and dreams—and not just *dream* about reaching them!

What you will find here are the techniques used by many of the wealthiest among us, who actually created wealth—steadily, surely, over time.

Why did I tell you the secrets to reaching your financial goals aren't magic? Because if you're looking for magic, you're looking in the wrong place. If you're looking for tricks, you won't find them here. What you *will* find are the techniques used by many of the wealthiest among us, who actually *created* wealth—steadily, surely, over time, regardless of how much money they make.

And I told you these strategies aren't complicated because I want you to know that you *can* use them. You don't need to be an economist, a mathematician, or a Warren Buffet to reach your goals and dreams. The other reason I told you these secrets aren't complicated is because as you read them, a natural reaction will be to say to yourself, "Harrumph! That's too basic. That's too simple. I need something with more pizzazz." And maybe that's been part of your problem. Every day we're offered so-called paths to wealth that have more sizzle than substance. It really *is* time to get back to basics.

Finally, before we dive in, I want to assure you that these secrets *do* work—if you work them. Merely *reading* about them isn't enough, though. To reach your financial goals and dreams over the next 12 months, you've got to be willing to carve out a few minutes *each day* to work the seven secrets. If you're not willing to do that, don't waste your time reading this Special Report!

Are you still with me? Good! Then let's get started. …

These are the seven secrets we're going to discuss in this report:

❶ Know where you are now, and where you want to be
❷ Be smart about saving
❸ Expect the unexpected
❹ Pyramids: shape matters
❺ Your secret weapon: your personal spending plan
❻ You can't eat a number on paper
❼ The seven questions to ask yourself, to stay on track

Secret #1:

Know Where You Are, Now, and Where You Want to Be

Where you've been may not be as important as where you're going, but it *is* critical to know how you got where you are. So take a few minutes to think about what you've done for yourself and your family financially over the past five years:

- Did we set aside any money for the future? How much? Was it as much money as we had hoped to?

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- Did we *spend* any of that money that we hadn't really planned to spend? How much?

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- When we set money aside, where did we put it? Did we invest in stocks, bonds, mutual funds? How much? Did we put money into a savings account or CD? How much? Did we hide money under our mattress, in the cookie jar, or in some other place that doesn't guarantee its safety and doesn't offer *any* growth? How much?

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- What financial mistakes did we make in the last five years … and what did we learn from them?

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Looking to the Future

Now that you've looked back, it's time to look ahead. It is *so important* to know where you want to be down the line. The ancient philosopher Seneca wrote, "If one does not know to which port one is sailing, no wind is favorable."

That means you must have an idea of where you wish to go—what your goal is. Without it, you are adrift. Without it, the "wind" becomes irrelevant. If you don't have a goal, you won't know when you've reached it, will you? You won't know if you're on track or not.

I know that just suggesting you *write down* your financial goals and dreams may put some people to sleep. But if you *really* want true wealth and happiness, realize that you must begin by *defining* what wealth and happiness are to you. And that means thinking about your goals.

Goals give you a measuring stick to guide your actions and decisions.

And don't excuse yourself by rationalizing, "I can only set meaningful goals at the beginning of the year, when I made my New Year's resolutions. I guess I'll wait until January first." Rubbish! Seize the day *today!* If setting goals is a good thing—and it is!—then beginning the process today is an even better thing.

Very few of us are completely satisfied with our financial status. We can all think of areas of our lives that could be improved, *if only* we had the resources.

- *If only* we could afford to live in a nicer house, in a better neighborhood …
- *If only* we could save more for retirement …
- *If only* we could afford to take that dream vacation …
- *If only* I could earn more money …

Those statements may *sound* like goals, but they're not! In fact, they're thoughts that nag at us, rather than inspire us. Why? Because every one of these so-called goals is only the first part of a sentence. We never say the last part of the sentence out loud, but it's there, just the same.

What we're really saying is …

> *"If one does not know to which port one is sailing, no wind is favorable."—Seneca*

- *If only* we could afford to live in a nicer house, in a better neighborhood ... *but we can't*.
- *If only* we could save more for retirement ... *but we can't*.
- *If only* we could afford to take that dream vacation ... *but we can't*.
- *If only* I could earn more money ... *but I can't*.

Effective goal setting is possible, with just a few small changes to what you say to yourself. Make your goals *positive*, not negative. Be specific about what you want to do. Include a time frame. And be realistic. For example …

- We will set aside $X every week (or month) for a down payment on a new home, and we'll do this by taking the following steps …
- We will save an additional $X for retirement each month, and we'll be able to do this because we will …
- We will plan for an Alaska cruise in such-and-such-a-year, by setting aside $X in a special fund each month. The way we'll accomplish this is to …
- I will research and start a part time business from my home, with the goal of making $X per month by ___________________________.

Finally, **write your goals down!** The instant you write down a positive, specific, realistic, time-sensitive goal is the instant you move from the sidelines to the playing field. Although the finish line may lie in the distance, you can immediately begin to sense the sweet smell of success.

Coming to an agreement about your goals will be a key factor to your success in reaching them.

So, take a little time to look ahead, with the idea of figuring out what you *really* want to accomplish and how you'll do it. If you're in a relationship, it's very helpful to involve your spouse or significant other in setting these goals. If you have children who are old enough to understand, get them involved, too. The more people in your family who "own" the goals, the more likely you are to reach them.

As you talk with your family, be aware that some goals will seem more worthwhile to some members than they do to others. In a perfect world, everyone would agree on the importance and the priority of every goal. But in *your* world, that's not likely to happen. Coming to an agreement about your goals will be a key factor to your success in reaching them.

For example, if your spouse or significant other wants you to save money to remodel your bathroom , but it's not really *your* goal, how successful do you think you'll be in reaching that goal?

If some financial advisor recommends you set aside more each month in an investment account for retirement, but you don't *really* buy into that, is it likely to happen?

In addition to making sure you really *do* want a particular goal, you need to know *why* you want to reach the goal. That requires some soul-searching, because there are always *three* reasons for wanting anything:

- The reason you tell others
- The reason you tell yourself
- The *real* reason

For example, let's say your personal goal is to buy a shiny new sports car. You tell others it's because you need more reliable transportation to get to work, the gas mileage of some of these new cars sure beats your old jalopy, and besides, buying the right sports car could be a good investment.

You tell yourself you want the car because you love the way sports cars drive, and it would simply be fun to have one to tool around in. But maybe the *real* reason you want the car is that you think it would make you look more important or successful, and that your friends and coworkers would be impressed.

There are no right or wrong reasons for wanting to reach a goal. But there are real reasons and phony reasons! If you lie to yourself—or your family—about your real reasons for selecting a goal, you *may* get the goal, but you'll create disharmony, frustration, and resentment along the way, and it's just possible you'll find those you love subtly sabotaging your efforts—so they can reach *their* goals!

If you could wave a magic wand and create the perfect lifestyle or existence for your family, what would it look like?

Honesty, *a willingness to compromise* for the good of the family, and a realization that the goals you *really* want to reach are the goals that will be best for the *entire family*, will help you set goals you can all agree on.

So let's begin.

Do you and your family have a clear vision of what you want your family's financial picture to look like one year, three years, and ten, twenty, and thirty years from now?

If you could wave a magic wand and create the perfect lifestyle or existence for your family, what would it look like?

Here are some questions to help you get in touch with the goals that are important to your family. There are no wrong answers, but it *is* important to write your answers down. The more specific you are, the better. And remember, ideally, this is a *family* project.

Your One-Year Goals

1. What would you like your financial situation to look like one year from now?

The financial needs, goals, and dreams many Bank On Yourself Revolutionaries see for themselves include some or all of the following. You and your family should create your own list.

- Vacation
- New car
- A new roof or other significant home repair
- Replace a major appliance
- Build your rainy day fund
- Save for retirement
- Create a college fund for a child or grandchild
- Get a better paying job or start a business

Write your family's one-year goals here:

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Look at each goal you want to achieve within the next year. Ask yourself these questions about it:

Why is this important to me, personally?

____

____

Why do others in my family say this is important to them?

____

____

Is this a goal we can all agree on? Do we all own it?

____

____

How will we feel when we achieve this goal?

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How would we feel if we did *not* achieve this goal?

____

____

What is the first step we need to take to get started?

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2. **Thinking now about your emergency cash reserves, how do you answer these questions:**

   How much do we have in liquid reserves now? ______________________________________

   What do we want that total to be in one year? _____________________________________

   Why do we feel that way?

   ____

   ____

   When would be the best time for us to get started achieving that goal?

   ____

   How will we feel when we achieve this goal?

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   ____

   How would we feel if we did *not* achieve this goal?

   ____

   ____

   What is the first step we need to take to get started?

   ____

3. **Now looking at your retirement nest egg, answer these questions:**

   How much do we have set aside for retirement now? ________________________________

   What do we want that total to be in one year? ______________________________________

   Why do we feel that way?

   ____

   ____

   When would be the best time for us to get started achieving that goal?

   ____

   How will we feel when we achieve this goal?

   ____

   ____

   How would we feel if we did *not* achieve this goal?

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   ____

   What is the first step we need to take to get started?

   ____

4. **Now shift gears, and have a candid family discussion about debt:**

   How much money do we owe right now, including car loans, credit card balances, our mortgage, student loans, etc.? ____

   What do we want that total to be in one year? ______________________________________

   Why do we feel that way?

   ____

   ____

   When would be the best time for us to get started achieving that goal?

   ____

   How will we feel when we achieve this goal?

How would we feel if we did *not* achieve this goal?

What is the first step we need to take to get started?

5. **Next, take a look at your personal and family financial goals.**

   Let each family member list their top three specific one-year goals, such as saving for retirement, a major purchase, a new home, or a college education. Encourage your children to select one or two items for their personal goals.

   Then answer a few questions about each goal:

   Goal #1: ______________________________

   Why do I want this?

   When would be the best time for me to get started achieving that goal?

   What is the first step I need to take to get started?

   Goal #2: ______________________________

   Why do I want this?

   When would be the best time for me to get started achieving that goal?

What is the first step I need to take to get started?

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Goal #3: ____

Why do I want this?

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When would be the best time for me to get started achieving that goal?

____

What is the first step I need to take to get started?

____

It's going to require more than one family meeting to answer these questions thoughtfully and thoroughly. If you're answering the questions alone, you may need to do it in more than one sitting.

> *"Poor people plan for Saturday night. Rich people plan for three generations."— Anonymous*

Work on the answers regularly and consistently, and take the time you need. You're building a new foundation for your financial future here, and you don't want slipshod work.

Your Three-Year Goals

Once you've created your family's One-Year Goals worksheet, review your results at your next family council, perhaps a week later. Are you all still in agreement? Do you need to make any changes?

When you're comfortable with what you have, it's time to ask yourself where you want to be in *three years*. Take the same questions, and answer them again, this time with a three-year timeframe in mind. Use the same process and the same worksheets to create your family's three-year goals.

Your Goals for Ten Years and Beyond

When you're comfortable with your three-year goals, your family can begin to discuss where you want to be financially ten years, twenty years, even *thirty* years from now. If that seems intimidating, remember that your goals are not set in concrete. They're always going to be subject to revision, replacement, and rescheduling. But having goals you adjust as needed is far better than having no goals at all! Every month, review your goals at a family council.

This first secret—knowing where you are and where you want to be—is something those who are financially comfortable grapple with regularly. They don't ignore the future. *They plan for it!* **You** can do the same. Begin where you are, and *keep moving!*

> *"He who has a why to live for can bear almost any how."*
> *—Friedrich Nietzsche*

Secret #2:
Be Smart About Saving

As you read *The Bank On Yourself Revolution*, you'll find I've devoted a whole section to understanding the difference between **saving** money and **investing** money.

There is a very important distinction:

To *save* money means to place it in a vehicle that is safe and has guaranteed growth. You are certain your money will be there when you need it. A *savings* vehicle is the perfect place for money *you can't afford to lose* . In contrast, to *invest* means to place money in a financial vehicle or an asset that has a certain amount of risk. You *hope* to make a gain, but it's not guaranteed. In fact, you might even lose your original investment money.

Test Your Financial IQ:

Question: If you have money you can't afford to lose, but you'd like it to grow, should you **save** it or **invest** it?

Answer: Since you can't afford to lose it, and since you *could* lose some or all of it in an investment program, you should put it where it is *safe* and has guaranteed growth.

"Even if the growth is slow," you ask? And I ask, "Well, can you afford to lose it or not?"

The only money you should *invest* is money you can afford to lose—or money that you're able to let ride up and down in the market for *at least twenty years*, if necessary, until it recovers.

That's a significant difference, isn't it? Money that is safe and guaranteed, vs. money that is not safe, with no guarantees.

Unfortunately, over the past few decades, we've been seduced by Wall Street into believing we *must* risk our money in order to achieve growth of any significance. That boring savings stuff? Not sexy! *We're* too sophisticated for that. *We* invest. *We* go for the gold. *We* take risks. And we do this with our emergency fund, our children's college fund, our retirement nest egg—the very money we absolutely cannot afford to lose. We do this because we've been led to believe there are no better alternatives.

Notice that I did not say, "There are no better alternatives." I said, "*We've been led to believe* there are no better alternatives."

There *are* better alternatives than risking money you can't afford to risk. We'll look at that shortly.

Secret #3:
Expect the Unexpected

Life happens, and we should all expect the unexpected. Looking at your personal financial resources as they are right now, how would you deal with each of the following?"

- A broken leg (yours) leaves you with a $3,000 insurance deductible you're required to pay?

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- The broken leg makes you unable to work for six months. How will you replace your income?

  ____

- A broken major appliance ($1,500)?

  ____

- A leaky roof ($10,000 to patch, or $85,000 to replace)?

  ____

- The loss of a job by your spouse or significant other, with eight months until there's a new one—at three-fourths of the pay. How will you replace that income for eight months, then make up the shortfall after that?

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- A family member needs assistance to the tune of $2,000. How will you help?

Facing questions like those, you *could* chose to be discouraged. Or you *could* choose to take these questions as an indication that you need to make some changes, starting immediately.

There's a principle of financial management our grandparents knew was extremely important, and yet most families today ignore it. You can call it an emergency fund, a just-in-case fund, or a rainy day fund. My grandparents called it their rainy day fund, and gramps was right about the importance of this fund.

It's *vitally* important for you and your family, too: Without a sizeable liquid rainy-day fund, you may be forced into prematurely selling or liquidating your nest egg assets—the very investments you planned on keeping over the long haul. When this happens, the timing is often terrible. You're at the mercy of current market conditions and may be forced to sell at the worst possible time.

To build your reserves to the size you really need may take some time, but every dollar you set aside gets you closer to your goal.

And that's how most people live. Their fortunes depend on Wall Street, the Dow Jones, the next paycheck coming in.

But you don't have to be most people! You can establish some safe (and *liquid*) cash reserves. To build your reserves to the size you really need may take some time, but every dollar you set aside gets you closer to your goal.

But notice that word, "*liquid*." Money you have invested in the market, in a business, or in real estate isn't liquid. Sure, you can sell, but at what cost? You certainly don't want to buy high and then, in an emergency, be forced to sell low.

Seven Benefits of Liquidity

Life has a tendency to throw us curveballs, and those curveballs have a perverse way of coming at the most inconvenient times. Here's a partial list of the many ways having a **sizeable liquid emergency fund** can strengthen your financial position and thereby substantially reduce the stress in your life:

1. No high-interest finance charges

Cars break down, roofs leak, and teeth need crowns. Having a pool of money in a Bank On Yourself plan lets you avoid putting charges on a credit card, or worse, getting gouged by a payday loan. Need money fast? Take out a Bank On Yourself loan. While you will pay interest on this loan, typically at a competitive below-market rate, that interest ultimately benefits *you*, as you will read in Chapter 7 of *The Bank On Yourself Revolution.*

2. A cushion if you lose your job

Do you know someone who lost their job and couldn't find another for a year or more during the Great Recession? It happened to millions of people. But I heard from many who had the foresight to start a Bank On Yourself plan, who credit their plans for bridging the financial gap until they could get income flowing again.

A higher deductible means lower premiums for all kinds of insurance. But you definitely don't want a deductible that is higher than your liquid cash reserves!

3. Lower insurance premiums

When you have a cash cushion to fall back on, you can opt for higher deductibles (the amount you pay before the insurance kicks in) on your auto, homeowners, and other insurance policies. If you think of your insurance policies as safeguards against major catastrophes rather than something that covers smaller expenses, the savings can be huge.

4. Sense of control

Having a pile of cash provides peace of mind and a feeling of being in control. Even if your worst fears never materialize, that feeling of being in control is priceless. It's like walking down a dark alley at midnight, knowing you're a master at self-defense. Even if you never see a bad guy, nothing beats knowing that you've got what it takes to protect yourself and those you love.

5. Steady year-round income

If you are a teacher, for example, who earns money only a certain number of months per year, you'll need a cash cushion to even out the highs and lows. Fluctuating income is also a fact of life for those who work on commission or who rely on tips or bonuses beyond their basic salary. In all these cases, income may ebb and flow, but expenses typically remain constant.

6. Give yourself options

If you don't have money stashed away, too often your choices will be made by your cash situation rather than by what's really important to you. For example, you might decide you can't afford to pay for an airline ticket to visit a sick relative, or you may have to forgo an operation that would save your pet's life. With a cash stash, you won't have to make choices you'll regret.

7. Ability to take advantage of opportunities

Just as emergency expenses come up when we least expect them, so do opportunities! Imagine the opportunities you might be able to take advantage of if you had safe and liquid cash reserves equal to one or even two years' income.

Really? Reserves equal to *two years' income?* The conventional advice is to have a fund equal to three to six months of your household income. But *that's not enough*! During the recession that started in 2008, many people discovered too late that three to six months' income wasn't even close to being enough. Millions of people who lost their jobs remained unemployed for well over a year—or even two. At the same time, we lost the ability to use our homes like ATM cash dispensers, as real estate took a hit and lenders clammed up.

To have the security of a real safety net, why not set a goal of building a fund equal to at least two years of your income? Put that money in a place that is safe and liquid, so you can easily get your hands on it when the proverbial you-know-what hits the fan.

Does an emergency fund equal to two years' household income seem impossible? One good way to kick-start your plan is to look closely at your assets that are *not*

What's the *Best* Place to Stash Your Cash?

Members of the Bank On Yourself Revolution are big on liquidity. In fact, it's one of their cornerstones. Why? Because to have financial peace of mind, you need money you can get your hands on:

- When you need it
- For whatever you need
- Without begging for it or applying for it
- With no penalties for accessing it and no restrictions
- Without sustaining a loss
- Without paying unnecessary taxes

It may not seem like much fun to have a lot of cash sitting around idle when there are so many things we need and want. And whatever extra we've got, we'd prefer to invest those dollars, hopefully earning a lot more than the interest the bank will pay us. There are lots of compelling reasons to have a substantial rainy-day fund, and fortunately, you don't have to keep your money languishing in a bank vault or tucked under your mattress, earning little or no interest. You can have a safe and liquid fund that gives you healthy growth at the same time.

By joining the Bank On Yourself Revolution, you get all the advantages of liquidity. In addition:

- You get growth that historically has *significantly* beaten savings and money market accounts and CDs
- You won't have to liquidate or sell income-producing assets to get cash
- You'll be able to use your money and have it continue growing as though you hadn't touched it (if your plan is from one of the handful of companies that offer this feature).

Learn more at
www.BankOnYourself.com

safe and liquid. Consider moving some of them to a safe and guaranteed plan, over time. (The next secret, #4, can help you visualize this.)

Secret #4:
Pyramids: Shape Matters

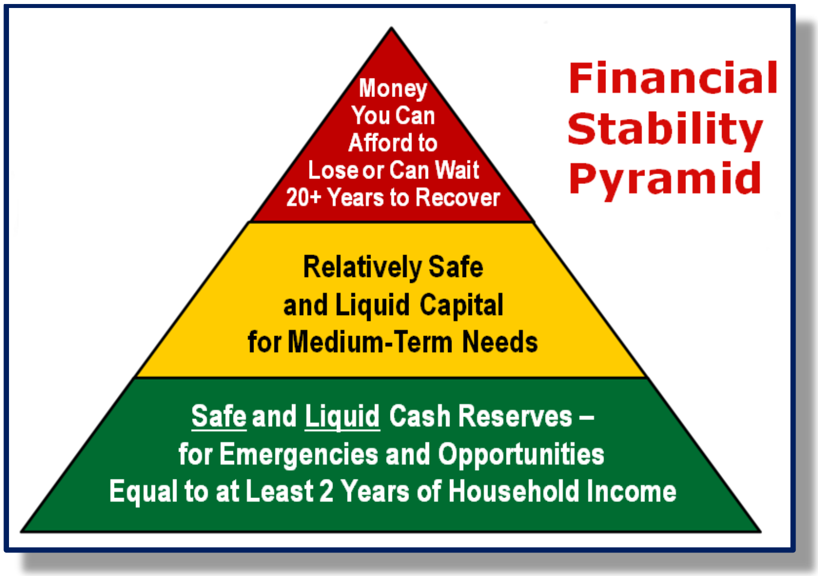
Secret #3 was all about safety and liquidity, and Secret #4 will help you *graphically visualize* the safety and liquidity (or lack thereof) of your financial assets.

Think of your assets as forming a pyramid. If you're like the vast majority of people, your current financial picture may look something like this:

Do you see the problem here?

If your picture looks like this, you probably have more of your resources at risk than is prudent, including money you can't afford to lose, and money you might need sometime in the next two years … or two decades. And you probably don't have enough set aside for your immediate and/or unanticipated needs.

But what if you joined the Bank On Yourself Revolution, and your financial pyramid started looking more like the one on the next page instead?



With a stable pyramid, your *foundation* consists of your cash reserves. I strongly recommend you set a goal to build a reserve fund equal to at least two years of your household income. **And remember, Rome wasn't built in a day!**

Wouldn't life be a lot less stressful? Rather than walking a tightrope in a strong wind with nothing to catch you, you'll be working with a financial safety net. A foundation of savings will give you stability, accessible resources, and restful nights. Can you begin to imagine how much better that will feel?

If you see the value of having a financially stable pyramid—*and I hope you do, because this key principle of financial success goes hand in hand with the principle of a rainy day fund*—your next step is to ask yourself what it would take to make *your* pyramid more stable.

Would you sell some assets? Convert them to cash? Look into the possibilities of a Bank On Yourself plan? (I'll tell you how to do that, if you haven't already, before we're finished.) Outline your plan below:

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Secret #5

Your Secret Weapon: Your Personal Spending Plan

Budgeting is no fun. But a **strategic spending plan** can be a *lot* of fun.

The first and most important step in taking control of your money and finances is to know where your money goes each month. It could be as simple as listing your income on one side of a piece of paper and your expenses on the other. Or you may prefer to track your expenses on your computer with free or low-cost software.

Why bother doing that? Because until you become aware of exactly where your money goes, you can't very easily identify where you're wasting money that you *could* redirect toward savings or reducing debt.

I recommend holding a monthly **Family Financial Discussion Night**, during which you focus together on things like deciding on your family's short- and long-term goals and creating a family spending plan. Even children as young as four or five can get involved. Create your family's "Personal Spending Rules" together, to work toward family goals and help you make spending decisions today that build happiness for you now and in the future. Your children will not only learn good financial skills through this process, but they'll take pride in being part of it.

The first step in taking control is to know where your money goes each month.

It's also important for couples to regularly get together and discuss the more sophisticated parts of the family financial picture. Sit down at least once each year and look at everything: Do you need to update your wills or trusts? How are your accounts doing? Are you on track to meet financial needs in the short term and long term? One of you may keep the checkbook and pay basic expenses while the other handles big-picture wealth-building strategies. But when both partners stay abreast of the overall picture, you both feel more confident and in control.

An important habit to begin building is to always ask yourself *why* you want to buy something. You may be surprised at your response! You may realize that you're being manipulated into buying it by advertisements. That's often enough to quench the desire. Ask yourself if you experienced long-term satisfaction the last time you bought a similar item.

Focusing on relationships and creating memorable experiences is often free or low cost and brings lasting pleasure. I still treasure the memory of a desert hike our family took during one holiday years ago, instead of exchanging gifts.

Know the Difference Between Your Must-Haves and Your Nice-to-Haves

Grandma, especially if she grew up during the Depression, was a lot clearer about the difference between wants and needs than we are today. Today we never just "want" something. We "*need*" it!

But then again, Grandma only had to deal with the occasional door-to-door salesman. Today Madison Avenue has us surrounded! And Madison Avenue is fully aware that **your spending is triggered by emotion**. They've hypnotized many of us to react to our emotions and go on automatic pilot when it comes to spending.

But *you're* smart. You know that keeping up with the Joneses is not the road to happiness those Mad Men try to tell us it is. And when you take a moment to stop and reflect, you really *do* know what you need, versus what is just a momentary flash-in-the- pan, won't-outlast-a-bowl-of-popcorn kind of desire.

Ask yourself if a purchase you're considering is really a "want" or a "need."And will buying it move you closer to your long-term financial goals, or give you short-term pleasure that will soon be forgotten?

Teach your children about the difference between needs and wants—not by your lectures, but by your good example.

Grandma would be proud!

Here Are Some Simple Tips to Create Your Family's Spending Rules

- Decide on a spending limit for "non-essentials.''

- Have a seven-day, or even better, a 30-day rule when considering buying something—even something like a book. Write it down, then review it seven or 30 days later and see if you really still want it. You'll be shocked how often you will have changed your mind.

- And don't be mislead by such advertising hype as, "Hurry! This sale won't last forever." That's meaningless; no sale will last forever. And ignore, "Buy now! Supplies are limited." Duh, nothing is available in an unlimited supply! Those are tricks advertisers use to create a sense of urgency and trick you into buying before you've given yourself a chance to think it through.

- Don't fall for Madison Avenue's stupid tricks.

Fess up: What are some things you've bought recently that you probably would not have bought, had you really analyzed if they were wants or needs, and if you'd given yourself a few "cooling off" days to think it over? Listing some things on the next page will help you be more aware of similar situations when they arise in the future:

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10/10/10: A Powerful Wealth-Building Strategy So Simple A Child Can Understand It

Using the time-tested "10/10/10 Savings Formula" puts **you** in *control* of your money and finances. Here's how it works:

- You set 10% of your gross income aside for short-term needs, such as a vacation and holiday gift-giving.
- You squirrel away another 10% for anticipated mid-term needs and potential emergencies, including a new car, replacement of major appliances, a new roof or other significant home repairs, and college tuition.
- Finally, you reserve 10% for long-term retirement planning.
- You live on the remaining 70%.

This allows you to pay cash for both routine purchases and inevitable emergencies, and avoid all bank and credit card debt.

You may not be able to start by immediately saving 30% of your income, but if you start with even 5% or 10% and increase that percentage by 1% or 2% per year. you'll be amazed how fast your savings will grow!

Secret #6:
You Can't Eat a Number on Paper

Have you considered the fact that there are *two kinds of wealth?* There's **paper** wealth—wealth that *could* be yours, *if* …; and there's **real** wealth—wealth that's more than just a number on paper …. wealth that won't evaporate with the whims of the market … wealth you can actually spend.

Knowing the difference between paper wealth and real wealth is *critical* to reaching your financial goals and dreams. Sadly, most people confuse the two.

Test Your Financial IQ:

Question: If you have a $20 stock and it goes up by 40%, how much money did you make on that stock? (Hint: This is about a key financial principle. This is not a math question.)

Answer: If you said $8.00, you're wrong, and you're not alone. Most people don't get the answer, and the talking heads on Wall Street hope the truth never dawns on you: *You didn't make <u>any</u> money* unless you actually sold your stock and locked in your gains—assuming there were any gains to lock in. The same principle applies to the value of your home and any other investments.

Did you ever talk with someone whose stock or mutual fund just took a tumble? A typical reaction is, "Well, it was only a *paper loss*." The person only takes the hit *if* he sells the asset that just went down.

It's a nice consolation, and it's actually true: There are no losses, unless you sell.

But the *opposite* is also true. There are no *gains* unless you sell, either. Yet, do you ever hear someone who just made a killing in the market say, "Of course, it's only a *paper gain*"? Probably not very often! But remember, your friend who just made a killing doesn't make a *penny* unless they sell the asset that just spiked in price.

And few people are willing to sell an asset that just made them lots of money.

Financial professionals call paper numbers "unrealized losses" and "unrealized gains." And when you're talking about *gains*, "unrealized" is a sad word. It means "not achieved; not created; unexpressed; unseen."

In other words, "No matter what it says on your statement, you're not *really* a penny richer."

Paper wealth is absolutely *meaningless* when it comes to having financial security and knowing the value of your retirement nest egg on the day you plan to tap into it. *Real wealth* and *financial security* come from having a strategy that **guarantees** steady, predictable growth—no matter what the economic climate is.

How many times have you sworn you're done with the stock market *forever*? But then the market starts to rise. The Wall Street jocks tell you nonstop what you're missing out on. Your friends talk about how much their investments are going up—and you jump back in because you can't stand the pain of watching the market rise day after day without you!

I heard a well-respected investment analyst interviewed about why he believed the stock market rally still had legs, in spite of the fact that the market had recently nearly doubled. (Students of history will tell you how *rare* it is for a market to continue rising after such an extraordinary rally—only a handful of bull markets in the entire history of the S&P 500 have sustained—even for a short time—gains of more than 100 percent.) He said, "**People who missed out on the rally will jump in and propel the market higher.**" Really? Have you heard the old saying, *"If you're sitting at a poker table and you can't figure out who the sucker is, it's you"?*

The investing world has a specific technical term for that kind of investing: **dumb money**. When the dumb money is piling into the market, you know the market is about to peak. And when the dumb money is fleeing the market, a bottom isn't very far away. *Dumb money, which represents a heck of a lot of investors, misses the mark on both sides.*

So is the answer to buy and hold—buy a stock or mutual fund, then put on your blindfold and just hold the stock … forever? No!

My husband and I purchased some "highly rated" mutual funds *years ago*, and we've held on to them for decades for one reason and one reason only: to demonstrate that even if you buy and hold your investments and avoid acting emotionally, *the stock market is still a crapshoot, where the odds are stacked against you*. In fact, one of our recent statements for a fund we've had for decades told us we had a *$62,734.06 unrealized loss.*

So much for buying and holding.

Secret #7

The Seven Questions to Ask Yourself, to Stay on Track

The ancient Greeks were always telling people, "**Know thyself.**" In our context of reaching your financial goals and dreams, "knowing yourself" means knowing what your goals are, what your values are, what your dreams are. Knowing yourself means knowing what progress you've made, and it means knowing how you *feel* about your progress.

So, how well do *you* know *yourself*? Answering these questions will help you know yourself, and will help keep you on track. Take a few minutes to answer the questions now, then come back in a month and answer them again. Keep doing this every month. If there are other key areas where you'd like to "know yourself," add them to the bottom of our list.

❶ Did you meet the goal you set to add to your rainy day fund this past month? How can you improve in the coming month?

❷ What financial concerns are keeping you up at night? What steps are you taking to reduce or eliminate those concerns?

❸ In the last month, did you spend more than you earned? If so, what are you going to do to keep that from happening this month?

❹ What does retirement look like for you? What age would you like to retire? Do you plan to work part time?

❺ Would you like to have the option of not working in retirement, if you choose?

❻ On a scale of 1-10, how would you say you're doing at accumulating the assets you want to have for retirement? How do you feel about that?

❼ What percent of your assets are subject to loss in the next stock or real estate market crash? Are you comfortable with that?

How to Take the Next Step

The Bank On Yourself Revolution is about reaching your financial goals and dreams using financial vehicles that are guaranteed <u>safe</u> (you *don't* lose money when markets crash) and that offer guaranteed <u>growth</u> (you can *know* the minimum value your account will be worth, at any point in the future). If you think that's too good to be true, think again. Hundreds of thousands of families and individuals have joined the Revolution and can attest to the safety and guaranteed growth of Bank On Yourself plans. (See www.BankOnYourself.com/reviews.)

If you haven't already started to Bank On Yourself, to learn how adding the Bank On Yourself method to your financial plan can help you reach your short-term and long-term goals, your next step is to request a FREE Analysis.

When you request a FREE, no-obligation Analysis, you'll learn …

- The guaranteed minimum value of your plan on the day you plan to tap into it … and at every point along the way
- How much income you can count on having during your retirement years
- How much you could increase your lifetime wealth—just by using a Bank On Yourself plan to pay for major purchases, rather than by financing, leasing or directly paying cash for them
- How you can achieve your short-term and long-term financial goals in the shortest time possible
- Answers to other questions you may have

No two plans are alike …

You'll receive a referral to one of the 200 Bank On Yourself Authorized Advisors who will custom-tailor your plan to your unique situation, goals, and dreams. There is no set amount you need to put in to start a plan. As a general guideline, plans funded with a minimum of $250 a month grow more efficiently, and you can put in as much money as you wish. (The upper limit is determined by your income and assets).

Don't rule yourself out …

Not sure you can set aside at least $250 a month to grow your wealth safely and predictably?

The Bank On Yourself Authorized Advisors are masters at helping people restructure their finances to free up more seed money to fund a plan that can help you reach your goals and dreams—without the risk or volatility of traditional investments.

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After you see your Solution …

You will know if the plan makes sense for you or not. If it does, the Authorized Advisor selected for you will help you implement the plan and provide ongoing guidance on using it to maximize your lifetime wealth and minimize your taxes.

Your Advisor will recommend the company that has the best product for your situation, and it will be among the financially strongest companies of its type in the country. The Advisor will not charge you a fee for your Analysis—they receive a commission from the issuing company, which is typically 50-70% less than if your plan were designed the traditional way.

Take the next step today!

Request your FREE Analysis at

www.BankOnYourselfFreeAnalysis.com