

## CHAPTER 1

# Myths, Lies, and a New Way to Prosperity

*The problem in America isn't so much what people don't know; the problem is what people think they know that just ain't so.*

—WILL ROGERS

I'm going to make a very bold statement that I can—and will—back up in this book: the American public has been brainwashed into believing they must accept risk, volatility, and unpredictability to grow wealth and have a comfortable lifestyle in retirement.

There *is* a proven financial vehicle that can give you the peace of mind you seek and deserve, and provides a solution to most of the financial challenges and crises we face in our country today.

Furthermore, the financial vehicle that makes this possible comes with an *extraordinary* combination of advantages and guarantees, not the least of which is that it allows you to get back every penny you pay for major purchases, so you can enjoy life's luxuries *today* while growing your nest egg safely and predictably for tomorrow.

Unfortunately, for reasons you'll soon discover, you most likely *won't* hear about this from your financial advisor, stockbroker, CPA, banker, or credit card companies—which is why I felt compelled to write this book.

I'll reveal the reasons why the vast majority of Americans now feel their chances of having a secure financial future and a relatively comfortable retirement look increasingly slim. And I'll show you a surprisingly simple way to turn the direction of financial energy in your life *toward* you so you can leap ahead financially, even if that seems unimaginable to you now.

When you've read just the first few chapters, I think you'll already agree this book contains the most important financial information you've ever come across.

## How to Win the Money Game

This book reveals a little-known but time-tested and proven wealth-building financial tool that can enable you to:

- Have a rock-solid financial plan and a predictable retirement income that can last as long as you do (chapters 4, 6, and 7)
- Turn your back on the stomach-churning twists and turns of the stock and real estate markets (chapters 3, 7, and 9)
- Make major purchases the Spend and Grow Wealthy® way so you can get back the entire purchase price of your cars, vacations, and other big-ticket items, and change the flow of money in your life from cash out to cash in (chapters 2, 3, and 6)
- Stop choosing between enjoying life's luxuries today and saving for tomorrow—it's possible to enjoy the things you want, *without* robbing your nest egg (chapters 2 and 9)
- Become your own source of financing so you have access to capital when you need it, and so you can recapture the interest and finance charges you'd otherwise pay to credit card companies and financial institutions, and reduce or eliminate the control those institutions have over your life (chapters 2, 8, 10, and 11)
- Use the money growing in your plan to buy things or to invest in anything you want, while your plan continues to grow as though you never touched a dime of it—your money can literally do double duty for you (chapters 6, 8, and 11)
- Pay for college for your kids or grandkids without going broke (chapter 10)
- Have the peace of mind that comes with knowing you won't have to rely on an employer or on failing government programs for your financial security (chapters 1, 6, and 7)

All of this—and much more—is possible, and more than 100,000 Americans are already doing it. You'll meet some of them and hear their stories in these pages.

You *don't* need any advanced skills or specialized knowledge, you won't have to worry about picking the right stocks, funds, or other investments, and it takes only a few minutes a year to implement and monitor.

Almost anyone can use this method to help reach his or her financial goals and dreams, from the business executive to the grocery store clerk, the physician, nurse, dentist, or chiropractor to the sales professional or computer analyst, the already wealthy to those who live from paycheck to paycheck.

It's not magic, although the benefits you get do seem quite magical. It does take some patience and discipline. However, if you have those traits and don't live beyond your means, the results can be remarkable.

### The Ultimate Money Secret

Many Americans could have a nest egg several times larger than they would otherwise have, simply by buying their cars the Spend and Grow Wealthy way I reveal in chapters 2 and 6, rather than by financing or leasing them. This method even beats paying cash for things by a long shot. After all, most people will spend hundreds of thousands of dollars or more just on their cars over their lifetime, and it's money they'll never see again. I'm going to show you a way to recapture those dollars and turn them into wealth, without gambling your hard-earned money in the stock or real estate markets, or in other risky investments.

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Bank On Yourself lets you dramatically increase the wealth you could have available to use and enjoy throughout your lifetime, without gambling your hard-earned money in stocks, real estate, or other risky investments.

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And you can do the same thing with the money you now spend on vacations, home repairs and remodels, college educations, business equipment, or any other major purchase, exponentially increasing the wealth you could have available to use and enjoy throughout your lifetime.

Although the financial vehicle used to give you all these benefits has stood the test of time for well over one hundred years, you almost

certainly won't hear about it from your financial planner or advisor or your CPA. And, for reasons that are probably obvious, Wall Street, your banker, and finance, leasing, and credit card companies are desperately hoping you don't find out about it.

As you might have guessed from the title of this book, I call the method that makes all of this possible Bank On Yourself (or B.O.Y.) because it allows you to become your own source of financing and to turn your back on the banks, finance, and credit card companies that want to lend you money, and even the mortgage lenders that want to apply most of your monthly payments to interest. It also frees you from relying on Social Security, the government, or an employer for financial security.

### **An Accidental Discovery**

I stumbled across B.O.Y. almost by accident. I am *not* a financial advisor, CPA, or attorney. But as a business-building consultant who has worked with over thirty thousand financial advisors since 1990, I've been exposed to just about every financial product, tool, concept, and method for growing wealth. Over the years, I've investigated hundreds of them, ranging from the ordinary to the exotic, only to find most weren't even worth the paper they were printed on.

Of those that did pass my scrutiny, most turned out to be disappointments when I implemented them.

All this learning the hard way came at a costly financial and emotional price. One financial vehicle that came highly touted cost me every penny I put into it, and then some.

Disappointed with the results we were getting when we were managing our investment program ourselves, my husband and I hired three of the country's top investment and planning firms in succession over a period of a decade to manage our retirement account.

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A blindfolded monkey throwing darts could probably have done as well or better than the pricey experts we hired to manage our retirement accounts.

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These companies were always on the lists of the country's top-ten financial planners and asset managers. They all charged hefty fees and *all three* of them *lost* us money during a period that included the longest-running bull market in history! I began to wonder whether a blindfolded monkey throwing darts could have done as well, or better.

My husband, Larry, and I would be in the same boat as so many Americans today—wondering if we'd *ever* be able to retire, and what we'd have to go without to do it—had it not been for one of my financial advisor clients mentioning a seminar he'd attended. That's where he heard about a way ordinary people could become their own source of financing, get back the cost of major purchases, and grow wealth safely—without the unpredictability and volatility of the stock and real estate markets.

I was intrigued, to say the least. It sounded too good to be true, but luckily I decided to keep an open mind. I spent months investigating it and I couldn't poke any holes in it. Then I implemented it myself to see if it would really work.

### The Spend and Grow Wealthy Way to Make Major Purchases

As of this writing in late 2008, my husband and I have used the B.O.Y. method to get back the full purchase price of our last four cars, along with the interest charges we *used* to pay to finance and leasing companies . . . and *then* some. And we've already laid the foundation to be able to use this method to get back the cost of each of our two family cars, every four years or so, for the rest of our lives.

A few years back, we bought three time-share weeks at five-star resorts in Scottsdale, Arizona, and San Diego. Not only are the interest payments we would have made to a bank to finance these vacation homes going into our own pocket, we are on schedule to get back the full price just seven years after purchasing them, along with some extra "profit."

When my husband landed in the hospital for emergency quadruple bypass heart surgery, we got slammed with over \$15,000 of medical bills that our health insurance didn't cover. Although unreimbursed medical expenses account for 50 percent of bankruptcies, for us, it simply meant borrowing from our B.O.Y. plan to pay off Larry's medical

bills in full, and then paying ourselves back on our own payment schedule, with no finance charges going into the pockets of banks or credit card companies. By doing this, we actually ended up getting back every penny we'd paid for those medical expenses *and*, to our relief and astonishment, we even made a profit on the deal!

When we put in the home theater my husband had been dreaming about for years, we financed it the same way. We didn't pay one single penny of interest to a bank or credit card company for it, and within two years, we had recovered *all* the money we paid for it. We indulge our passion for collecting fine art the same way.

Unlike most parents or grandparents who are paying for college with money that *could* have gone to enrich their retirement lifestyle, my husband and I are using B.O.Y. to finance college tuition for our two grandchildren. Like everything else we finance through our Bank On Yourself plan, we'll get back all that money, too.

When I need to buy equipment for my business, I finance it the same way.



### Key Concept

While the value of our mutual funds, real estate, and other investments has careened violently like an out-of-control roller coaster through the years, we *can't wait* to open our statements for our B.O.Y. plans—they *always* have good news and *never* any of those ugly surprises. And the news just keeps getting better every year!

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We've never lost a wink of sleep over our Bank On Yourself plans. Never had the sickening feeling in the pit of our stomachs that you get with investments you have no control over and that put your financial security at risk. *Our B.O.Y. plans have continued growing, even when the stock market, real estate, and other investments are plunging.*

## The "Easy-as-Shooting-Fish-in-a-Barrel" Retirement Plan

With a B.O.Y. plan, you can know the minimum value of your plan and the minimum annual income you can count on when you're

ready to start taking it. To me, this is the difference between “hoping” and “knowing” how much money you could have in retirement. Do you think that difference could give you the peace of mind that’s missing from most financial and retirement planning strategies?

It lets you shut out all the noise about the whipsawing stock and real estate markets and other investments. It’s hard for many people to imagine what it’s like to be able to do that. I know it was for my husband and me, before we discovered Bank On Yourself. But the peace and calm you feel when you *know* you have a rock-solid financial plan in place is indescribable.

Once I knew from personal experience the extraordinary power Bank On Yourself held, I felt very strongly that it would be unfair to others to keep it a secret. For the first time in my life, I began to feel the kind of burning passion to make a difference in the world that I’d heard other people describe.

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It became my mission to educate the American public about Bank On Yourself, but nothing could have prepared me for the firestorm of controversy that followed.

### Financial Secrets “They” Don’t Want You to Know

As I mentioned, many people and entire industries are praying that you never discover this financial secret. In addition, the financial vehicle used for B.O.Y. is totally misunderstood and unfairly maligned by many so-called experts.

This book blasts apart those myths, misinformation, and misunderstandings, beyond any shadow of a doubt.

The tide has already begun to turn, and whenever I feel discouraged by criticism from people who are misinformed or who feel

threatened by B.O.Y., I open my bulging file cabinet full of unsolicited letters from grateful folks who learned about B.O.Y. through my Special Reports and newsletters. These letters tell how Bank On Yourself has transformed their lives and helped them achieve many of their short-term and long-term goals and dreams. One comment in particular appears in almost every one: they say their only regret is that they didn't find out about B.O.Y. sooner.

I'll introduce you to some of them in this book and let them describe their personal Bank On Yourself journeys in their own words. I believe you'll find their stories as compelling as the facts and figures I provide here.

B.O.Y. provides a proven long-term solution for the economic challenges we all face today—one that doesn't depend on stock or real estate investments that inevitably have those stomach-churning periods when the markets go down and down (which is exactly what's happening as I write this). With a Bank On Yourself program, you can leave those worries behind.

### **Proof that Conventional Financial and Retirement Planning Isn't Working**

It's become painfully clear that the conventional financial and retirement planning strategies we've been taught simply aren't working. They were created to suit conditions that no longer exist. The percentage of Americans who are confident they'll be able to afford a comfortable retirement has plunged to historic lows. And most retirees have discovered they must give up many things they once considered essential, just to get by.

Almost every issue of the AARP magazine has heartbreaking stories of retirees who thought they were well off but are now suffering great financial hardship. Tragically, the *majority* of retirees, according to a May 2008 AARP report, are having difficulty paying for essential items, such as food, gas, and medicines. Many have had to put off filling prescriptions or take smaller doses than prescribed to make costly medicines last longer, and see doctors and dentists only when absolutely necessary, because their interest and investment income has disappeared.



The same report revealed that “substantial numbers” of people over sixty-five are having to eat out less, postpone travel, and put off major purchases. This is on *top* of the pared-down lifestyle many are already living. (And that report came out *before* the financial meltdown that occurred in the fall of 2008.)

Do you think these folks worked hard all their lives so they could struggle to get by in retirement? I know that’s not part of my plan, and I doubt it’s part of yours.

And while most people plan to live on a lower income after they retire, many experts now predict retirees will actually need at least as much income as they had before retirement. One study released in July 2008 by Hewitt Associates, a human resources consulting company, found that, on average, people will need to replace *126 percent* of their pre-retirement income, when factoring in inflation, longer life spans, and skyrocketing medical costs.

Many pre-retirees have had to postpone retirement, and many retirees are being forced to go back to work at a time when older workers are finding it much harder to find jobs. What more proof do we need to know that conventional financial and retirement planning methods aren’t working?

### **The Truth About Traditional Investment Strategies**

As I write this in late 2008, the S&P 500 and the Dow are right back where they were ten long years earlier.

How many times during those years were your hopes raised, only to be dashed again and again?

Those losses don’t even take into account inflation, which totaled more than 30 percent during that period. You could have gotten the same results putting your money under your mattress—but without all the nail-biting and sleepless nights!

Unfortunately, most Americans are digging themselves deeper into a financial hole every year, with no way of knowing how long it will take to crawl out.

As you’ll discover in chapter 3, Wall Street’s dirty little secret is that it’s the norm, *not* the exception, for the stock market to end up going nowhere for very long periods of time.



### Key Concept

Here's a good question to ask yourself to determine how well your financial or retirement plan is working: do you know what your nest egg will be worth in ten, twenty, or thirty years, or when you're ready to use it? If your answer is no, then do you really have a financial plan?

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If history repeats itself, the stock market could go nowhere for another decade or longer. We all hope that doesn't happen, of course, but if it did, how would that affect your financial security and plans for retirement?

The reality is that if your financial future depends on a roll of the dice, you don't have a financial plan.

Clearly the conventional wisdom about diversifying by using a mixture of stocks, mutual funds, and bonds needs to be examined by anyone who's tired of relying on hope and luck to achieve financial goals. This book explodes the myths about investing in the stock market that have been responsible for countless broken dreams of retirement.

### Can You Rely on Your Home Equity to Help Fund Your Retirement?

Of course, for most Americans, their home is their largest asset, and many are counting on the equity in their home to help fund their retirement.

Once again, history provides a clue of what we can really expect. According to the extensively researched book *Irrational Exuberance* by Robert Shiller, *the long-term average increase in home values has been just 1 percent a year, adjusted for inflation*, even taking several periods of rapid appreciation into account. The May 15, 2006, issue of *Fortune* magazine echoed that statistic under the headline "Don't Bank On Your House to Fund Your Retirement," noting that it's "hardly enough to pay for two decades of sunset years on sun-filled decks."

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The long-term average increase in home values has been just 1 percent a year, adjusted for inflation. And housing prices can go nowhere for very long periods of time.

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A revealing article in the *Wall Street Journal* (March 23, 2008) titled “Housing Prices Can Stall for a Long Stretch of Time” tells the real story most Americans don’t have a clue about. The article points out that “the inflation-adjusted average price of an existing home peaked in 1979, didn’t bottom out until 1984 and didn’t return to the 1979 level until 1995. In other words . . . home prices went nowhere for 16 years.”

Most people I’ve surveyed don’t know or remember that. But once again, history does have a way of repeating itself, and a good question to ask yourself is how would your plans for retirement be affected if your home value went nowhere for sixteen years?

### The Pension and Retirement Plan Crisis

Once upon a time, in the “good old days,” when an employee gave a lifetime of service to “the company,” the reward was traditionally a gold watch . . . and a pension benefit that would make his or her retirement years truly golden. Those days are long gone.

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According to Bloomberg board member (and journalist) Jane Bryant Quinn, writing in the *AARP Bulletin* (October 2007), “Retirement experts used to talk about finances as a three-legged stool: Social Security, pensions and personal savings. For one thing, the pension leg has collapsed entirely at many companies. And none of these legs can be taken for granted.”

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Most companies have moved away from pension plans, in which they provide their retirees with a set benefit each month, to such plans as 401(k)s, which put the burden of saving and investing for retirement squarely on the employees' shoulders—a responsibility most are totally unprepared for. Is it any wonder that many experts are now concluding that 401(k)s have been an abysmal failure?

And many companies that do sponsor 401(k) plans have drastically reduced or even eliminated the amount they match of their employees' contributions.

In addition, there are dangerous pitfalls to saving for retirement in 401(k) plans and IRAs that most people don't discover until it's too late, which I reveal in chapter 5.

## Social Security and Medicare Are Going Belly Up

In March 2008, Treasury Secretary Henry Paulson warned that the country was facing a fiscal train wreck unless something was done about predicted Social Security and Medicare shortfalls. The Social Security trust fund is predicted to go bust in 2041. That's pretty scary when you consider that the majority of people over sixty-five rely on Social Security for at least half of their income, and 61 percent of pre-retirees age fifty and over are counting on it for their main source of income in retirement.

Government officials have repeatedly warned that the only way to fix this situation is through some combination of benefit cuts and tax increases.

The problem is even worse for Medicare, which will be exhausted by 2019 and *already* spends more than it collects.

Given all these factors, does it come as a surprise that many Americans are postponing retirement indefinitely? Americans' confidence in reaching an affordable retirement has plunged, with only 18 percent confident that it will happen for them, according to the 2008 Retirement Confidence Survey by the Employee Benefit Research Institute. Of those already retired, the survey revealed, only 29 percent are now confident of this.

Which explains why many retirees have been forced to go back to work. Like the seventy-seven-year-old subscriber to my newsletter,

who wrote me that he wished he'd known about B.O.Y. years ago. He had to take a job climbing on roofs to install rain gutters to pay for medical expenses his health insurance didn't cover. Sadly, this scenario is playing out all too often across the country.

But it *doesn't* have to be that way!

### A Plan You Can Count On

You don't have to accept risk, volatility, and unpredictability as givens. There *is* a proven and better way, revealed in the pages of this book. The letters I receive from people who use the Bank On Yourself method are compelling testaments to that, like the one I received from Mike LaPlante that read in part:

After working for 25 years, I feel for the first time that my retirement is properly squared away. I no longer worry about where to put my money to chase a higher return. Bank On Yourself takes the gut feeling worry of, "Am I doing the right thing?" away, and allows me to focus on other more fun things in my life.

Yes, I *do* wish I'd started earlier, but I suppose it took me this long to make enough of the financial mistakes I've made to allow B.O.Y. to reveal itself to me as the gem it really is.

This is the best financial lesson I've ever been taught. I feel completely at peace with my decision to move forward with this.

Growing a nest egg and a retirement income you can count on *doesn't* have to be a crapshoot. If you're tired of gambling with your financial future and are ready to start *knowing* how good it could be, read on. . . .