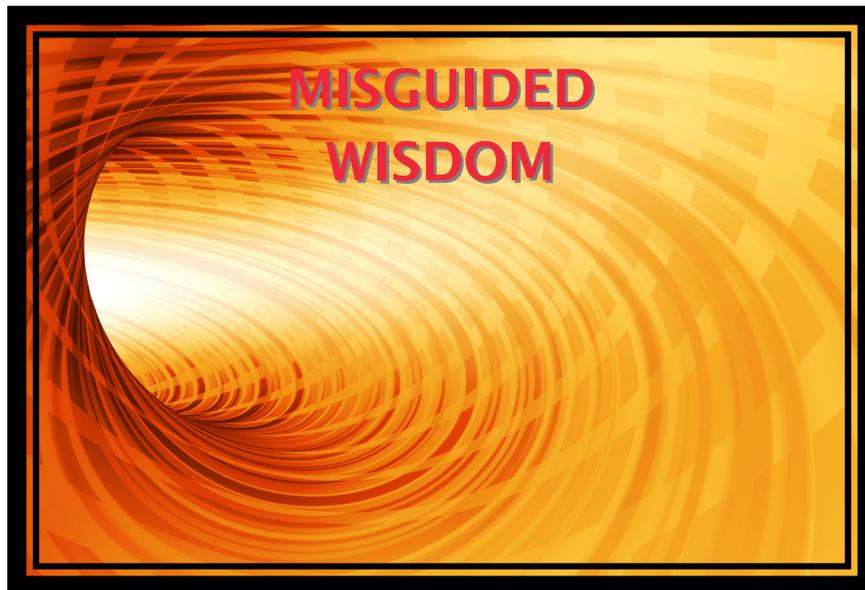


Wealth & Wisdom

INSTITUTE

**ELIMINATING LOSING
FINANCIAL STRATEGIES**



Misguided Wisdom
Thinking Minus Logic

More Than One Solution

Traditional financial thinking of the past has always emphasized the rate of return on our investments. The faster you want your money to grow, the greater the risk you would have to take. Many words have been spoken and written about risk tolerance and risk management, so I'm not going to rehash popular current financial thinking. I do think the element of risk is important, but only to the extent that if you didn't have to take a risk, and could receive positive rates of return, would you pursue that course of planning?

It is a popular belief that the only way to make your money grow is to get higher rates of return. Every time I hear "higher rate of return," I ask a question: "Who is at risk, you or the one making the recommendation?" There is another way to increase your wealth without the worry of risk. It is called the *Efficiency of Money*. Now I'm not talking about strict budgets, buying off-brands, and doing without. I'm talking about the complete opposite. You should have the finer things in life and enjoy them. The only thing stopping you from improving your lifestyle is money, and more precisely, *transferred* money. We unknowingly and unnecessarily transfer away most of our wealth and it's out of control. Have you ever stood in a supermarket line with that ½ gallon of ice cream you forgot to get for the kid's birthday party, only to have the person in front of you contest the cost of one of their items? The argument starts out polite enough over this \$.10 difference in cost, and escalates into a conflict between the store manager and a cell phone call to the shopper's attorney. Finally, it is resolved with some U.N. intervention. Meanwhile, your fudge swirl delight is dripping down your arm onto your new shoes. The shopper leaves the store victorious in battle, proud and happy, eager to share the success of their confrontation with all who will listen.

Did I get off track there? Not really. If we had the passion and the knowledge to confront the transfers of our wealth, we would surprisingly win most of the battles. Instead of a \$.10 victory, the savings could be in the thousands of dollars with no risk of loss.

There are ten major transfers of your wealth.

- Taxes
- Tax Refunds
- Qualified Retirement Plans
- Owing a Home
- Financial Planning
- Life Insurance
- Disability
- Purchasing Cars
- Credit Cards
- Investments

We will be discussing some of them in great detail. It will take some encouragement by me for you to begin thinking a layer deeper than you are accustomed to. Remember, the purpose of taking you a layer deeper is not to uncover defects in your thinking, but to expand your thought process through knowledge so you will be able to make better financial decisions. Without this process, you may suffer unintended consequences in your financial future.

When we are finished, you will have a defining moment in the way you think about money. You will have a greater appreciation of opportunities that you didn't have

before. Let's face it, finance companies, banks, the government, credit card companies, mortgage companies, etc. are all standing in line for their share of your money. Where do you and your family stand in this line? At the end! We will change this. However, in order to change this, your thought process must change.

Popular Beliefs

About 6,000 months ago, it was a widely accepted scientific fact that our planet, the Earth, was flat. About 600 months ago, my father was told he would probably retire to two-thirds of his income, thus, he would be in a lower tax bracket. About 60 months ago, we were told of such enormous surpluses controlled by the federal government that our society would prosper from increased government programs. All of these beliefs turned out not to be true. Tax reform acts designed to relieve tax burdens on the public, actually resulted in the government collecting more revenue than ever from its citizens, you and me. The shell game of lowering tax rates while eliminating deductions has been very profitable for the government. Back in our grandparents' day, Social Security was the save-all safety net they needed in lieu of the lack of retirement plans. Although well intended it was the first step of a long journey of dependency on the government. The 16th Amendment of the U. S. Constitution allowed taxation of income of its citizens.¹ Originally, the idea of income tax was ruled unconstitutional in the 1890's. Article 1, Section 9 of the Constitution states clearly that no direct tax "shall be laid, unless in proportion to the census or enumeration herein before directed to be taken."² The 16th Amendment gave new powers to the federal government that conflicted with the 10th Amendment that reserves any other power, other than stated in the Constitution, to the individual states.³ In 1913, 400 pages of tax law were created. Today almost 47,000 pages of tax codes and rulings exist. We will continue, later on, to look into transfers of your wealth to the government, created by the government.

Four score and several years ago our forefathers brought forth onto this continent a new notion, that all men are created equal . . . when it comes to taxes. Once again, most of the popular beliefs have been handed down generation to generation, father to son, mother to daughter with very little effort given to studying these beliefs. Now we are at a point where there is confusion between myth, opinion, and fact. Misinformation has caused all of us enormous amounts of lost money, in the form of transfers that we've made unknowingly and unnecessarily.

The government isn't the only player trying to share your wealth. Banks are notorious for dipping into your wallet. One rule of the bank you must understand. If a bank is late on doing something it's called a "process." If you are late with the bank it's

¹U. S. Constitution, Amendment XVI.

²U.S. Constitution, Article 1, Section 9.

³U.S. Constitution, Amendment X.

called a “fee.” Most recently, a bank charged me a \$360.00 fee for not doing something - for not setting up an escrow account for a mortgage. Think about it, \$360.00 for doing nothing. When they were questioned about this fee, they said it was simply part of the process of the mortgage. The process of setting up nothing. When asked where that money goes . . . well, the silence was deafening. I could actually hear the crickets chirping.

Besides mortgages, other spin-offs of their creations, such as credit cards, home loans, auto loans, ATM’s, checking accounts, saving accounts, and certificates of deposit (CD) all create fees. Late fees, early withdrawal fees, minimum balance fees, debit fees, and in some cases, a fee to talk to a teller. On credit cards, it’s almost the goal that you be a couple of days late on your payments. Late fees are big business, and so are charge-offs from bad debts. To create higher possibilities of late payments, the billing cycle has been shortened. Instead of sending out your billing 14 days before the due date, it is sent out 10 days before the due date, and the due date is probably on a weekend. Wouldn’t it be terrific if we could be the bank? If you are interested in creating your own personal bank and eliminating regular commercial banks from your life, you must read on.

**IT IS DIFFICULT
TO GET THE
RIGHT SOLUTIONS
WHEN YOU START OUT
WITH THE
WRONG PREMISE**

The Banks

It is truly reassuring and comforting to know that your bank savings, should the bank fail, is insured by an agency of our federal government that is over \$6 trillion dollars in debt itself. Someone once said, “Banks will lend you money if you can prove to them you don’t need it. A banker is a fellow who lends you his umbrella when the sun is shining and wants it back the minute it begins to rain.”

Never Go Into A Bank Without A Ten Foot Pole

Let's get one thing straight here. You, by putting money into a bank, are lending money to that bank, so they can lend it to someone else. They earn interest from that loan and charge fees to it on a regular basis. In return for you "lending" the money to the bank, you receive a pitiful interest rate, but they also charge you fees to keep that account open at their bank. Think about it . . . you put the money in their savings account and receive 2% earnings. You may also be charged fees for that savings account. They take your money and lend it to someone in the form of a credit card and receive 18% interest and receive fees on a monthly basis for that credit card.

Not only do they charge us interest, but they charge fees. They raise existing fees, invent new ones and make it harder to avoid them by raising minimum balance requirements. Looking through my bank records and the documents given to me when I opened my accounts, I found and identified over one hundred separate fees banks impose on their customers. Over the past few years the size of the fees rose twice the rate of inflation. Charges and fees account for more than 40% of the banks revenues. The banks have become a fee-based operation. They consider you naive when it comes to the sophisticated business of banking. They determine there are certain things you don't "need to know." Here is a partial list of fees and charges I found:

<i>Saving account fee</i>	<i>Check cashing fee</i>
<i>Monthly account fee</i>	<i>Automated transaction fee</i>
<i>Manual transaction fee</i>	<i>Monthly overdraft mgmt. fee</i>
<i>Automatic payment amend fee</i>	<i>VISA account fee</i>
<i>Withdrawal fee</i>	<i>Automatic payment fee</i>
<i>Set up fee</i>	<i>Unpaid bill payment fee</i>
<i>Checking account fee</i>	<i>Account special request fee</i>
<i>Checking overnight fee</i>	<i>Stop payment checking fee</i>
<i>Checking account statement fee</i>	<i>Dishonor fee</i>
<i>Customer investigation fee</i>	<i>Overdraft application fee</i>
<i>Online banking fee</i>	<i>ATM fees</i>
<i>International service fee</i>	<i>Traveler's checks fees</i>
<i>Bank draft fee</i>	<i>International money transfers fee</i>
<i>Safe deposit fee</i>	<i>Home loan application fee</i>
<i>Personal loan fee</i>	<i>Credit card replacement fee</i>
<i>Credit card collection fee</i>	<i>Cash advance fee</i>
<i>Telephone call center fee</i>	<i>Account closure fee</i>
<i>Wire transfer fee</i>	<i>Garnishment fee</i>
<i>Notary fee</i>	<i>Levies</i>
<i>Special statement cutoff fee</i>	<i>Telephone transfer fee</i>
<i>Night deposit fee</i>	<i>Analyzed business fee</i>
<i>Loan processing fee</i>	<i>Tax service fee</i>

*Appraisal fee
Survey fee
Recording fee
Inspection fee
Courier fee
Attorney fee
Early payoff fee*

*Credit report fee
Closing title company fee
Escrow waiver fee
Underwriting fee
Document prep fee
Late payment fee*

You would think the government would step in and help protect its citizens. That's what they are paid to do, right? WRONG! You see, the government needs the banks. The Federal Reserve, which represents banks in this country, prints our dollars and lends them to the Federal government, which in turn creates the ever-growing federal debt. The government pays interest on these loans. This debt is passed on to you and me in the form of taxation. If this debt continues to grow will your taxes ever go down? No. Who is happy with this whole scenario? Yes, the banks. They charge interest on that debt. It costs the banks very little to print the money to give to the government. It costs the government very little to dole out this money. However, we will spend our entire lives paying on this debt in the form of taxes, without ever coming close to paying it off completely. That is why you will never see the government aggressively go after the banks. They need each other!

15 vs. 30

The two most common types of mortgages sold today are the 15-year and 30-year mortgages. Once again, misinformation clouds the choice between these two types of mortgages. In the 15-year mortgages, people assume the shorter the loan period, the less they will have to pay. Secondly, they believe they will save interest payments. With this line of thinking, you must conclude that, once again, the best alternative would be paying cash for the house. Let's get out the microscope and take a look at these two mortgages.

Person A chose a 30-year mortgage for \$150,000.00 with a 6.5% loan rate. She knows that under those terms her monthly payment will be \$948.10. Person B obtained a 15-year mortgage for \$150,000.00 with a 6.5% loan rate. He knows that his monthly payment for that loan will be \$1,306.66.

Person A believes that her monthly payment at \$948.10 is a good deal because it is \$358.56 per month cheaper than the \$1,306.66 payment for the 15-year mortgage. She is going to invest the savings of \$358.56 per month into an account that averages a 6.5% return for 30 years. This grows to a tidy sum of \$396,630.

Person B, who wasn't born yesterday, plans to save \$1306.66 a month for 15 years after he makes the last payment on his 15-year mortgage. He too predicts a 6.5% average return for those 15 years, and his investment would grow to an impressive \$396,630.00. NOTE: It's the same amount as Person A's account. I have to ask you: Which person would you rather be?

In making the above comparison, I assumed a 6.5% mortgage loan rate and a 6.5% rate of return on their monthly payments. What would happen if both Persons A

and B thought they could get an 8% average rate of return over that period of time on their investments? Person A's \$358.56 per month for 30 years at 8% would grow to \$534,382.00. Person B's \$1,306.66 per month for 15 years would total \$452,155 at an 8% earning rate. That's a difference of \$82,227.00 in the favor of Person A. The compounding of interest works in Person A's account, causing the money to grow to a larger sum. Remember, Person B's banker told him he would save money with a 15-year mortgage.

Hold on there, Kemosabe. You're thinking, "If I took a 15 year mortgage, my interest rate might be lower than that 6.5% 30-year note." You're right. Let's say the interest rate was 6.0% on that 15-year mortgage. Then both Person A and Person B invested the difference at 8% return just as we described above. You're probably thinking, "Ah hah! Got you!" Try again. Person A's savings still ends up \$35,697.00 greater than Person B's account. Don't forget, Person A also received 15 more years of tax deductions that created an even greater savings.

Enough Is Enough

Elderly people will be grilled by bank employees when trying to withdraw large sums of money. They will be asked what they intend to do with it. The banks will use scare tactics to imply that what the clients are planning to do with the money is crazy or ill-advised. In reality, it's none of their business what someone wants to do with their money. The bank's aim is to hold your money as long as they possibly can, since every day they hold it is one more day of earnings to be made from your money.

Also, getting financial information and advice from a bank can be a huge mistake. Their focus is to control your money and collect interest and charge fees **WHENEVER** they can. They will steer you to their bank products when it comes to investments and saving, not because those products are the best choice for you, but because they profit from sales of their products. Also, the financial consultants housed in banks cannot sell other company's investments or products, even if another company's product is better suited for you and your financial profile. But they don't tell you that, they merely give you the idea that their bank's products are the best for you. The less informed you are the better bank client you become. No one is safe. If you need "banking service" (that is an oxymoron, by the way), find yourself a local credit union. It is the lesser of two evils.

As discussed in previous chapters the ideal solution would be to create your own "banks." Follow the rules of basic banking. Learn to pay your banks back, save the interest and whenever possible, deduct interest payments when the law allows. Your "banks" will be funded by eliminating or reducing the ten major transfers of your wealth. The savings could be staggering.

The Federal Reserve *Bridging The Gap To Plunder*

The central core of banking under the guide of the Federal Reserve is very simple: An ability to print money at very little cost, which has no real value, no backing of gold or silver, and loan it out to purchase things that do have value. This in return provides value to the unbacked money printed. Holding property liens on things you purchased gives the banks the right to book these as bank assets, minus the balance of the debt. All the money that has been created by the banks is created out of nothing.

In November, 1910, a secret meeting was held on Jekyll Island in Georgia.¹ Present at this meeting were Senator Nelson Aldrich, Chairman of the National Monetary Commission, associate of JP Morgan, father-in-law to John D. Rockefeller Jr. Also present were: Abraham Pratt Andrew, Assistant secretary of the U.S. Treasury; Frank A. Vanderlip, President of the National City Bank of New York, representing William Rockefeller and the international banking house of Kuhn, Loeb, and Company; Henry P. Davison, Senior partner of JP Morgan Company; Charles D. Norton, President of JP Morgan's First National Bank of New York; Benjamin Strong, head of JP Morgan's Bankers Trust Company, and; Paul M. Warburg, partner in Kuhn, Loeb, and Company, a representative of the Rothschild banking dynasty in England and France, brother to Max Warburg, head of the Warburg banking consortium in Germany and the Netherlands.²

Every one of the participants was pledged to secrecy. It was only after many years and much research that the meeting and its purpose was uncovered. What formed out of this meeting was a banking cartel, a proposed monopoly of the industry. By doing this they would create control of the financial monetary systems; yours, mine, and the government's. Even creating a name for this cartel was well thought out. They agreed that the word "bank" should not be used in its title. Thus, the birth of the Federal Reserve, a cartel agreement with five objectives:

- 1) Stop the growing competition from the nation's newer banks;
- 2) Obtain a franchise to create money out of nothing for the purpose of lending;
- 3) Get control of the reserves of all banks so that the more reckless ones would not be exposed to currency drains and banks runs;
- 4) Get the taxpayers to pick up the cartel's inevitable losses, and;
- 5) Convince Congress that the purpose was to protect the public.³

¹G. Edward Griffin, The Creature from Jekyll Island. California: American Media, 1994.

²*Id.*

³*Id.*

Specifically, the Federal Reserve was designed as a legal private monopoly of the money supply, operated for the benefit of the monopolists under the guise of protecting and promoting the public welfare.

Constitutional restraints prohibited the federal government from printing paper fiat money.⁴ Fiat money is money that has no valuable asset; gold, silver, etc., to back it. However, there is no such restraint on the Federal Reserve. But, the banks, i.e. the Federal Reserve, wanted the government to have a system to pay for the money they printed for the government. Say the magic words: Sixteenth Amendment. This amendment allowed the government to charge a tax on income.⁵ At that time, the federal gold and silver reserves were still sufficient to back all its printed money. As the country continued to grow and the advent of government social spending increased, the government surpassed the ability to back its fiat money. In its own wisdom, the government eliminated its gold and silver standards. Remember the days when our printed money stated that it was a silver certificate right on the front of the bill? That's gone. So are our gold and silver stockpiles. Now the printed money says "Federal Reserve Note" across the top. Since that change, the national debt (not the deficit, they are two different things) has spiraled out of control. Our country's debt is compounded because the Federal Reserve charges interest on that debt, which is repaid by the tax revenues collected by the government.

The connection between the banks and the government is an interesting one. I would recommend the reading of the book The Creature from Jekyll Island by G. Edward Griffin. It is an in-depth look at the Federal Reserve.

Understanding how the government, banks, and Federal Reserve relate to each other will open your eyes to the transfers of your wealth that they have created, controlled, and profited from. Remember, they are the ones constantly reminding us that they will help us financially. The reality is, between the three of them, we transfer away over two-thirds of our wealth over our lifetimes. All the plans and products they support create unintended consequences for us and more profits for them.

Fuzzy Wuzzy Thinking

It has been a long time since I've seen an investment broker, accountant, or talk show financial expert prove mathematically that any of their opinions work. I'm not talking about the one-sided comparison where they blow off any idea contrary to theirs as stupid. (Meaning, if you don't do it their way, you must be lacking intellectually). By disarming those who even dare to think outside their box as "stupid," these self-proclaimed experts don't have to prove a thing. People, in general, take offense to being called stupid, so they tend to take the their-opinion-must-be-fact of these experts as gospel, fearing the wrath of being labeled.

⁴United States Constitution, 10th Amendment.

⁵United States Constitution, 16th Amendment.

Imagine being confronted by two salesmen selling laundry detergent. The first salesman says, "Well, you would be stupid to buy a detergent that doesn't create enough suds to clean." The other salesman says, "You're stupid if you believe what the first guy said." Great comparison, eh? No matter what you do, you're stupid by someone's account. I have heard professionals in the financial industry tell clients essentially the same thing. "You would have to be dumb to pass this up." "It wouldn't take a rocket scientist to figure this out." "How long do you want to be ripped off?" There are hundreds of statements like these made every day implying that you're stupid.

I was watching one of these so-called financial expert's TV show, we'll call her Ms. Fuzzy, and I was amazed how many times she implied the callers were stupid. She did it in a nice way, but the implication was that the caller was stupid, and she wasn't. Ninety percent of what she told people was simply her opinion, NOT fact. To be an expert, Ms. Fuzzy knows she must deal with lower intellects to maintain her lofty title of "expert." But when cornered, Ms. Fuzzy reverts to belittling the caller rather than giving the caller a legitimate answer. Then she dismisses the caller's ideas as "dumb" and frowns at the television audience to emphasize the point.

Ms. Fuzzy received a call from someone who bought life insurance, the "wrong kind," according to Ms. Fuzzy. Her conclusion went something like this, "Get rid of that and the guy that sold it to you." (You're stupid.) "He is a salesman" (You're really stupid.)

"A S-A-L-E-S-M-A-N, that's all!" (You have moved from the stupid class to the idiots class.) Great reasoning, Ms. Fuzzy! Nice comparison, filled with knowledge and facts. One question for you Ms. Fuzzy: Is it salesmen that you hate? Probably just about everything Ms. Fuzzy owns, she purchased from a S-A-L-E-S-M-A-N. Does that make her stupid?

To come to her conclusions for this caller, Ms. Fuzzy used no math, no facts, no research, and no independent studies. There was no discussion about income, cost, age, family status, amount of insurance, the person's personal debt, their tax bracket, the love of his family, or quality of the company. NOTHING, NOTHING, NOTHING to justify her "conclusion," just Ms. Fuzzy's opinion. How one can have such a strong opinion, without knowing all the facts about the caller, in my OPINION, is stupidity at its finest. But the public sucks it up. The failure to think a layer deeper about financial concepts is causing the transfer of thousands of dollars of your wealth.

Over the past twenty-five years, so-called modern day financial planning has had mixed reviews. Let's face it, people became and continued to become millionaires long before financial planning became vogue. The thought of making millions by buying the right investments is right up there percentage wise with winning the lotto. Is there any correlation between financial planning over the last 25 years and the monetary predicament John Q. Public is in today? As Americans moved to investing in the markets, there also appeared larger sums of personal debt. Although the two are separate, it is all within the same time frame. What happened? Personal debt and bankruptcies and foreclosures are at an all time high and growing. Is it that personal income has not been able to keep pace with inflation and taxation? Possibly, increases in taxation have grown far greater than incomes. What happened? You would think that with all this professional financial help out there, the magazines, financial TV shows, investment

brokers, and financial consultants (planners) that these problems wouldn't exist. Or have they created more problems than not in the last 25 years?

In order to improve your life you had to learn to change. You learn to eat differently to control your cholesterol. You learn to workout to stay in shape. You even learn to improve your golf game by taking lessons. All of these lessons require you to make changes in the way you used to do things. If you have a bad golf swing, buying a new driver won't improve your game (trust me on that one). Yet golf club manufacturers will always tell you different. Now what changes have you made financially? Banks and investment companies continue to insist that changing products, not your thinking, is your only solution to your financial problems.

Tax Cuts And The Rich

Another common misconception is that tax cuts are for the rich. This is nothing more than political "get-me-re-elected" talk. It is obvious that the rich make up such a small portion of the tax paying population, the politicians view this as a small group of voters. There are more poor, middle class, and upper middle class voters than there are rich voters. So don't be surprised when a politician favors the area where there are more voters. The tactic is as old as dirt. Divide and conquer, blame someone else for your problems, so you will vote for them. These are not poor or middle class people running for office. Remember, these people will spend millions to get elected to a position that pays a couple of hundred thousand dollars a year. Makes sense, right?

I would like to compare our system of paying taxes to ten people going out to dinner. The common belief is the rich get more back than us ordinary tax payers and that is not fair. The reality is, the rich pay more so they should get more back.

If ten people went out to dinner, and when the bill came we used the rules of the tax code to pay this bill, it would look something like this: The bill for dinner for ten came to \$100.00; Persons #1 through #4 would pay nothing; Person #5 would pay \$1.00; Person #6 would pay \$3.00; Person #7 would pay \$7.00; Person #8 would pay \$12.00; Person #9 would pay \$18.00, and; Person #10 (the richest person) would pay \$59.00.

If the restaurant owner decided to give the group a 20% discount, the dinner for 10 is only \$80.00. How should they divide up the \$20.00 savings? Remember, the first 4 paid nothing to begin with, so the savings should be divided between the remaining six. Twenty dollars divided by six equals \$3.33 each. If you subtracted that amount from those six people's share, then persons #5 and #6 would be paid to eat their meals. This doesn't seem fair, so the equitable answer is to reduce each person's bill by the same percentage. The results look like this: Persons #1 through #5 would pay nothing; Person #6 would pay \$2.00; Person #7 would pay \$5.00; Person #8 would pay \$9.00; Person #9 would pay \$12.00; Person #10 (the richest person) would pay \$52.00 instead of \$59.00.

Now everyone starts comparing and complaining. Person #6 complains because he only got \$1.00 back and Person #10 got \$7.00 back. "Why should he get \$7.00 back when I only got \$2.00?" shouted person #7. "Why should the wealthy get all the breaks?" Person #1 through #4 yelled "We didn't get anything back. This system

exploits the poor!” Then the nine people surrounded Person #10 and beat him up. That seemed to satisfy them. The next time they went out to dinner, Person #10 did not show up, so they sat down and ate without him. When they were finished the bill came and they discovered they were \$52.00 short.

The people who pay the highest taxes get the most benefit from a tax deduction. It's common sense math. If you tax them too much and attack them for being wealthy, they may decide not to show up at the table anymore. For everyone involved that would create an unintended consequence. Everyone would have to pay more.

Don't Limit 401(k) Deductions To The Amount Matched. . .

I found the following sage advice in a local newspaper: Even though the company matches only part of the 401(k) contribution, it is to your benefit to put the most away in your 401(k) plan as you can, since 401(k) plans are an excellent way to save for retirement. The author of the article went on to profess that often many investors contribute only up to the company match within their 401(k) plan, and do not take advantage of their 401(k) plan if the company does not match, and he states that this is a mistake. He finalizes this train of thought by stating that with a 401(k) plan, an investor receives a double tax benefit. Not only is someone not taxed on contributions into a 401(k) plan, but all the income continues to grow on a tax deferred basis.

Half The Story

These are the types of planning strategies we are presented with all the time. It is “surface thinking” at its simplest. I kept looking for the rest of the article that would tell the whole story and the truth. This was another example of someone deciding that the public didn't need to know the “rest of the story.” They decided that it was not important to discuss the taxation issues of these strategies with the public.

The article should have concluded as follows: Although accumulating money for retirement should be everyone's goal, there are things that should be taken into consideration. A qualified plan simply defers the tax, as well as the tax table, to a later date. The assumption that you will retire to a lower tax bracket than the tax bracket you were in when you deposited the money is flawed. Studying the country's demographics, debt, and the history of the federal marginal tax bracket could lead you to the conclusion that it is very possible that you may retire to a higher tax bracket. If that is so, then the strategy of using a 401(k) as your main retirement savings vehicle may be a losing one. You are at the mercy of the Federal Government. When was the last time the government allowed you, as this planner cited, a double tax benefit without their ability to recoup those taxes, if not more, at a later date?

This article left a lot of questions unanswered. Failure to mention the effects of taxation on this 401(k) money could be considered an omission of the facts. Unintended

consequences could result if you feel that taxes will go up in the future. I'm not saying all retirement plans are bad. I feel that when loading up or overloading qualified retirement plans and exposing yourself to future taxation, whatever level that may be, you should think at least twice about it. Once again, whose future are you financing, yours or the government's?

Fee-Only Advisors And Conflicts Of Interest

I found more "wise" financial advice in a local periodical indicating that because of the pace of change in the market environment in tax laws and other areas, it is getting more difficult for the average person to manage their portfolio. Therefore, the idea of dealing with a professional makes sense.

The author promoted the use of a fee-only advisor as opposed to a salesperson, since a true fee-only financial advisor will not have the conflict of interest inherent with commissioned salespeople.

As I mentioned previously, the investment industry has fought this battle for a long time. All too often planners want to put the client in the middle regarding the fee-based or commission question.

There Is A Cost When Dealing With Garbage, There Is A Fee For Picking It Up

The assumption that planners who charge their clients a fee to talk to them are the only planners who are professional and truly care about their clients, smells. I have had the opportunity to read and listen to such pompous ramblings. Along with losing investment picks, half-truth solutions and opinionists' "wanna-be" facts, they have the gall to charge client fees.

Make no mistake, a fee is no different than a commission. Fee-based planners would like us to assume that they are not motivated by money. Fees, commissions, and management and expense charges are all transfers of one's personal wealth. The "holier than thou" attitude assumes everyone who disagrees with them is not a professional. However, as an educator to students, clients and financial professionals, I have found that many of the sanctions against financial planners imposed by the SEC and NASD were and are against fee-based planners. You see, a crook is a crook. Bad fee-based planners and gouging commissioned planners make great cell mates.

More often than not, if I decide to wrestle with a skunk, I know I can win but I'll end up smelling funny. Remember, there are many professionals that charge fees. There are fees, sales charges, commissions and loads associated with every product a financial professional, whether fee-based or commissioned, promotes. How about some "no load, no fee" information?

Overpayment

It always amazes me how people react to money. I recently observed people lined up at a gas station to buy gas that was a nickel cheaper than the station just across the street. They would wait ten minutes in line for this savings. Even if they had a 17 gallon gas tank they would save 85 cents. If these people filled their tank once a week, they would only realize a savings of \$3.40 per month. When they finish pumping their gas, most of them hop back in their cars and are off to work where they allow the government to deduct \$50.00 more than they will owe for taxes from their paychecks each week. On a monthly basis, this comes to an overpayment of about \$200 per month. For some reason, this has become perfectly acceptable.

Not only do these people wait in line for 10 to 15 minutes for gas, they also wait up to 12 months for the refund of the overpayment of their taxes. Now I'm not saying that you should not find good prices on things you buy, just don't confuse a tax refund with a winning strategy. It is not a windfall. You overpaid for something and fought to get it back, only to find out it belonged to you in the first place. The government got to use your money all year for free. When was the last time you got to use someone else's money at no charge?

Just Thinking

There are all observations and opinions, but most misguided wisdom runs in a different direction than logic. The purpose here was to try to make you think. Most people have thoughts, but have lost the ability to think. They have taken 20 second sound bites about finances and become convinced that's all they need to know. All too often someone else is determining what you need to know. Why? If you had all the information you needed to make better financial decisions you may not need some of these professionals and in turn they would lose money.

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