Not losing is really winning

We are starting to become concerned with what is happening on Wall Street. Over the last 13 years, the stock market has twice crashed and touched off a recession: American households lost $5 trillion in the 2000 dot-com bust and more than $7 trillion in the 2007 housing crash. Sooner or later — within a few years, we predict — this latest Wall Street bubble, inflated by an egregious flood of phony money from the Federal Reserve rather than real economic gains, will explode, too. We think a correction is inevitable; it is just a question of when.

People were warned back in 2006 & 2007 that the market was due for a correction but most did nothing. Doing something is difficult, but not doing anything could be very detrimental to your financial future.

Why compound losses and simple gains are stagnating the financial growth potential for people preparing for their retirement - and the answer.

If you’re over fifty years old, you probably remember the 90s where real estate prices exploded; the DOW and S&P were up over 300% and the NASDAQ over 700%. Unfortunately over the next 13 years we all know what happened: the real estate crash, the economic recession, un-employment, national debt, financial crises, and the resulting erosion of so many families’ retirement accounts.

Why are retirement accounts worth less today than they were in 2000? My answer is that in an environment like the last 13 years a mathematical phenomenon called compound losses and simple gains makes it very difficult for a family to recover. Here’s how compound losses and simple gains work. If you have $100,000 and you experience a 30% loss, you now have $70,000. In order to get back to your original $100,000, you now only have $70,000 to work with. That means you need a 43% return to get back to your starting investment (43% x $70,000 = $30,000 + $70,000 = $100,000). Obviously losses can be devastating to your portfolio.

What if there was a company that would give you an immediate 5% return just to do business with them? And they had a product in which you were guaranteed never to have any negative returns—no compound losses and simple gains to worry about ever again. Now let’s say this product returned a meager 3% compound return over the next 12 years. What would that mean? It would mean that your $100,000 would have grown to $146,853; a 4% compound return would mean $166,507 and a compound 5% return would mean $188,565. The potential to return even greater than 5% to 7% is also there when you can’t lose in any year. Not losing is really winning.

If I have sparked some interest then I suggest you review my emails on fixed index annuities because that is what they can do for your financial future. Click ‘private pension via annuities’ for a tutorial.

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