



James Hamilton

This is Not Your Parent's Retirement

How to Win the Race to Retirement



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Disclaimer

This book is meant to offer insights into financial strategies and tax-free options that are available to consumers. It is by no means a substitute for financial advice that one can best receive from a qualified financial advisor.

From Veteran to Financial Advocate

“Knowing is not enough. We must apply.
Willing is not enough. We must do.”

~Bruce Lee

I grew up in an environment where your chances of seeing or experiencing success were slim. There were few role models for good, but many temptations to accept poverty or make bad choices. To many, this story is typical of a kid from the projects, but I have never strived to be typical. From the time I became aware of how different the lives of people outside the projects were, I grew committed to creating a different outcome for my life.

My mother lived a life of constant struggle. She tried hard and worked endlessly, raising three kids with a minimal education and with no noticeable pathway to walk her out of poverty. Viewing her struggles, I thought, “That’s just the way life is.”

Until one day, I glimpsed a different world than I’d been exposed to before. I saw a life that existed with happiness, a lack of fear, familial and financial stability, and, the real enticement for a young kid, possessions.

I played Little League baseball and became good friends with Kevin, the son of our team's coach. When I went to his house to hang out for the first time, I was immersed in a much different environment from any of the kids from in my neighborhood. It was amazing!

As I drank in this new environment, I learned that my coach was a business guy. From the lifestyle I saw, he was obviously successful. I'd only speculated about Coach and his family being well off up to that point, but when I saw the results his success delivered to his family, I immediately took note of the stark contrast between my world and theirs.

Theirs seemed a lot better.

They had toys, a swimming pool, new cars and a big house (at least compared to the small apartment I lived in). I didn't see obvious stress about the day-to-day aspects of life, like paying bills. That lack of concern contrasted with the worry I often saw in my mother's eyes.

How did they do it?

Before this pivotal experience, I'd never been teased by a flicker of hope that I could, through hard work, live a life that great. The visual of what they had, colliding with the spark of a dream, made an instant impression on me. I couldn't help but think, "If this guy has a business and can live this lifestyle, count me in. That's the direction I want to go."

I saw a formula that showed me how owning a successful business equaled earning enough money for a good lifestyle.

This life-altering moment allowed me to see more than I'd ever seen before, or even thought possible for a 'kid like me'. My horizons instantly expanded, and I sensed the importance of a bigger picture that stemmed from the consequences of all my actions.

After that revelation, what I recognized as possible kept me more focused and grounded, making it easier to avoid the distractions of the environment in which I lived.

Then a second pivotal life moment occurred, that showed me a tangible route to success.

My Uncle Parker, who had been in the military, retired from that career and began to work for the federal government. He drove the car he wanted to drive and had found a way to escape the poverty that so many felt was inevitable. He began to experience more out of life. He did what I wanted to do, which made a large enough impression on me that I wanted to know everything I could about how he'd done it.

Through our talks, my uncle planted a seed in my head that the military was a good option for anyone who wanted to escape the environment in which they lived. My

buddy Mike and I agreed with him and we began planning right away, making the commitment that no matter what, when we reached the age of eighteen, we would enlist in the Army, our escape route.

My two pivotal moments began working together and revealed exciting opportunities. I took advantage of every program the Army offered to gain the information and insights necessary to become a business owner.

There are a great many benefits that enlisted people can take advantage of. For me, the different workshops, organizations, and conferences drew me in. This is when I was introduced to MLMs (multi-level marketing) and direct sales. I found a platform in which I could learn and begin my education about being self-employed and connecting with people on a level that created meaning.

I stumbled upon something else highly impactful then, just as it is today. You see, while these forums were beneficial, I used the books, tapes, and other powerful materials that were recommended for self-improvement to really cement in my mind how to harness my greatest potential. The thought of growing into a better man and by using these resources excited me. I created a better mindset for myself and also saw how much people who did not have a positive mindset struggled.

While mindset is important for everyone, for me mindset became imperative because I had to work past the environment from which I came. I'd seen more struggles than triumphs around me my entire life and those visuals, along with the hard fact that so many people experienced really tough times, had to be shifted to tangible hope for something more. Yes, there were lessons and motivations in those challenges, yet I never realized how much those same challenges had impacted my mental process until it was revealed to me during this learning opportunity.

What we believe in our mind is what is possible. This is why we have to believe in good outcomes and learn how to create our actions based on those desired good outcomes.

My work ethic and commitment to what I wanted to do have always been strong for me. Those things helped me keep my conviction about what I wanted to achieve, while also guiding me to keep working hard to achieve those goals. The military gave me a perfect backdrop to further strengthen these intuitive skills.

Around the time of my basic training, the Gulf War and Operation Desert Storm began, quickly altering the landscape of my military career. Even during this time, I continued to learn. Through the intensity of our missions, the skills to plan and implement strategies for specific outcomes were essential.

Being a 'boots on the ground' guy meant that I had to take the urban jungle I grew up in and transfer those survival skills to the desert combat zone.

During my time in the military I participated in combat missions and also worked in peace-keeping zones. Each experience heightened my awareness about every detail of the world around me and also gave me a strong appreciation for strategic planning.

Although I was unaware of it at the time, gaining these experiences served as a catalyst for my journey into the financial services industry. A lack of planning can be devastating and detrimental to your life in many different environments.

After proudly serving my country for eight years, I decided to not re-enlist. I didn't know what my return to civilian life would include, but I did know that one of the biggest challenges many veterans faced was finding a position where they could make as much money as they did while they were enlisted. In order to make the income I wanted, I knew I would have to be in a position where I would be paid based on my effort.

The job I decided to take was in sales, a position that up-sold services. It provided me with a decent income, but I lacked the financial acumen necessary to make smartest

choices with my money. These absent skills included: budgeting, saving, spending habit considerations, etc. I sensed this, and it brought to light two important points for me to focus on.

First, I should work on changing my mindset about money and how to make my paycheck work most effectively for me.

Second, the person who benefited the most from my sales efforts was the owner of the company, not me. The guy winning is the guy at the top.

All of this reiterated that I needed to really commit to becoming a true entrepreneur. I truly wanted to be the guy at the top. I began pursuing an opportunity, based on a simple, three-part plan.

1. Come up with an idea.
2. Work hard, taking the appropriate risks necessary to grow the business.
3. Sell the business at the 'right time' and retire, living out my remaining years comfortably.

I did those things and my plan worked, but what drew me in most were the ways in which money worked behind success. From there, a natural transition into the finan-

cial services industry followed. I felt convicted that other people needed to know this stuff, too, especially the underserved black business-owning community.

I paid attention to how finances impacted everything. They could build you up quickly and tear you down even faster. But not if you were prepared.

Numbers Don't Lie

"Only buy something that you'd be perfectly happy to hold if the market shut down for 10 years."

~Warren Buffet

Imagine you started with an investment of \$100,000 in 1987. That value would have dropped to \$73,000 after the crash of 1987. If you remained invested after that, the \$73,000 would have grown to \$421,000 by January 2000. These raw numbers reveal why the 1990s were one of the hottest decades in the history of the stock market.

Again, if you had remained fully invested, your \$421,000 would have decreased to \$126,363 by July 2002, during the 'Dot Com Crash'. Staying fully invested, that \$126,363 would have grown to \$237,562 by October 2007. After the 'Credit Crash' of 2007 and 2008, that \$237,562 would have decreased to \$104,527. Staying fully invested after TARP and all other government stimulus used during the last decade, your \$104,527 would have rebuilt itself to \$318,808 today.

If we were to have another crash and the market lost even 30%, that number would decline to \$212,538. Or if the decline was 50%, you'd be looking at \$159,404. Your original \$100,000 would only have doubled over the last thirty years for an average return of around 2.5% annually.

Before taxes and fees.

In another scenario, imagine the market lost 50% in the next downturn. In this case, you'd only have 60% of a double in 30 years, making for an annual average return for 1.5%.

These numbers could be worse. Why? Because many people lost extensively before exiting the market. Then, being fearful, they did not return to the market to enjoy the following growth until very late in the cycle. I believe many Americans have still not made back what they lost between 2000-2002 and the 2007 and 2008 downturns.

Now, just for fun, let's examine what happened to the same \$100,000 investment in 1987 if you missed the three crashes.

1. From November of 1987 to January of 2000 your \$100,000 grows to \$416,470.
2. From July of 2002 to September of 2007 your \$416,470 grows to \$782,963.
3. From March of 2009 to the present your \$782,963 grows to \$2.12 million dollars.

Amazing! Of course, this is only in theory. No one will ever get this exactly right. However, what this example shows us the methodology behind 'buying low and selling high'.

Contemplate these questions:

- Would this strategy have worked far better than staying fully invested?
- Isn't this timing the market? I would argue it is not. We are not adjusting for every little market turn. These are essentially five course adjustments in thirty years with a sixth about to happen.

What if there was a way you could develop a strategy to help you lose little or nothing and have access to your money, liquidity, and take advantage of downturns after they happen? Couldn't a strategy like that be performed more confidently?

Think about this: that initial \$100,000 invested in 1987 is currently valued at \$318,808. Even without a crash that money tripled over a thirty-year period. Using the rule of 115, that is, how many years it takes for money to triple the average annual return would be less than 4%.

There are many fixed interest investments I could have offered my prospects along that thirty-year journey that would have yielded more than 4% without any of the risk. Indexing strategies keep your money safe during downturns yet allow for withdrawals to take advantage of positive market moves. This type of strategy is highly suitable for the times in which we find ourselves.

Let's begin with global debt. In 2007, the world debt total was \$142 trillion dollars. By 2014, that debt had risen to \$199 trillion, an increase of \$57 trillion (40%) in just seven years.

Forward three years. The world debt increases to \$300 trillion, a 50% increase. That increase in debt sustains our stock, bond, and commodities markets. That debt must be serviced. You begin to see bankruptcies everywhere, not just companies, countries are going bankrupt, too, and that will continue. The World Economic Forum just announced that they believe there will be a \$400 trillion savings shortfall by 2050.

This information tells us that we can both learn from the past and do better in the future.

America's Social Security Board of Trustees says the trust-fund backing Social Security will be exhausted by 2035; this after an eight-year bull market. If we have the downturn that is expected, that year could be moved up to as soon as 2025. Proposed House legislation, (the Social Security 2100 Act) would increase the FICA tax from 6.2% to 7.4% and would completely phase out the \$127,200 ceiling on earnings that are subject to payroll tax. That is a tax increase of 19% on every working man, woman, and child in the United States.

Government requires increasingly more revenues to fund the future. Even President Trump's current budget is an increase. The current budget is \$4.062 trillion. The president's budget is \$4.094 trillion. The annual deficit will approach one trillion and rise exponentially in the years ahead.

This will make it harder to save for the future. More difficult to pass on wealth generationally. The government will require more and more tax revenue. You can find the foundational information for this discussion at www.usdebtclock.org. The clock shows there are around 50 million people currently on Social Security.

All of these overwhelming, hard to process numbers reveal how we struggle to come up with the money to provide Social Security and Medicare to these 50 million people.

About thirteen years from now, in the year 2030, we will have between 80 and 90 million people receiving Social Security and Medicare with 70% of the Baby Boomers turning 65 between 2022 and 2029. That's a little more than a decade. Where will the government find the revenue to meet these financial requirements for Social Security and Medicare? And, more realistically, should we rely on the government to provide these funds, knowing that something will have to give?