

INVESTING SIMPLIFIED®

WHAT YOU DON'T KNOW CAN HURT YOU

CHUCK PRICE, CRFA
WITH 9 CONTRIBUTING EXPERTS

Advantage®

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This book has taken me over 4 years to complete because I am not a writer, but I really felt I had something important to share and that is why I wrote this book.

It doesn't really matter how much you have or don't have at the end of our journey we call life, we all go out the way we came in with nothing, except we do take our memories and relationships. The ONLY thing that is really important is family, real and extended. I thank God for my blessing to have married the love of my life and my best friend Jackie. We were blessed with four children and nine grandchildren and our great grandson that makes up our family.

The extended part is for my clients that have become like family, many of them have been with me for over 30 years and in some cases, we have worked with three generations of their family and in many ways they have become like family and to me they are my extended family.

I have truly been blessed and thankful to have met and worked with every one of them and their families.

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CHAPTER 1

This Book Is for Main Street, not Wall Street

It is important that you understand this is not a book to sell you annuities, life insurance, mutual funds, managed investments, or anything; instead, this book is designed to help you understand investments and do your own investing or work with a professional team of experts to help you plan and reach your financial goals. We designed this book to inform you about what is really going on in the world of investing and the related services you will need as an investor. It will show you how to make sure your financial professionals are putting you first, unlike many books that try to sell you annuities or life insurance. There are many books that tell you not to buy annuities or life insurance and, unfortunately, all these books tell you half-truths or they have a slanted point of view to try and sell you something.

The goal of this book is to reveal the good, the bad, and the realities of investing and planning your financial life. Once you know the facts, you can decide for yourself, since there is no one individual investment that solves every investor's needs.

Now, I know I am going to upset a lot of life insurance and annuity salespeople, but there is more to life than making a commission, and the same can be said for the stockbroker, the financial advisor, the CFP, CPA, CRFA, CSA, CRC, or insurance agent, or whatever title or name the salesperson goes by.

The problem is that everyone has a different axe to grind and gets paid in different ways for different products. Some can sell some things, and others cannot. So, how do you know what is best for you and how can you trust that the advisor is really putting your needs first?

For example, if your insurance agent only gets paid for selling insurance products like annuities and life insurance, how can your insurance agent get paid if you keep your mutual funds, stocks, bonds, or managed account? What training does your insurance agent have on these other products and services? You need to ask your insurance agent about their investment training; do they actually have any?

In addition, if your stockbroker or financial advisor sells securities and isn't trained in annuities or life insurance or is restricted by their broker-dealer or company regarding what can be sold and serviced for you, what is your stockbroker's incentive to advise you to keep those other products, which may actually be in your best interest?

The fact is that this industry's players are designed to feed off one another, and the consumer gets caught in the middle. The complexity of the licensing requirements between the states, the **Securities Exchange Commission** (referred to as the **SEC**, a government agency), and **Financial Industry Regulatory Authority** or called (**FINRA**, a self-regulating authority for the securities industry or, in their own words: **FINRA is the largest independent securities regulator in the United States and our chief role is to protect investors by maintaining the fairness of the US capital markets.**)

FINRA does maintain historical information on licensed securities advisors and you can go to www.brokercheck.finra.org/ to check out anyone who talks to you about securities. Every State Insurance Department or Agency has a similar system and you can verify if they have ever had a complaint or have been fined by either system, or just check to see if they are licensed to talk about what they are talking to you about.

Knowledge is power, and the more knowledge you have about investments, the better off you will be in your buying decisions—and the same is true about the person you are working with.

In this book we will cover many things and you will find that it offers ideas and concepts that will save you—or make you—thousands of dollars over your investing life. Here is an example of things we will discuss:

THE 10 BIGGEST MISCONCEPTIONS AND MYTHS OF INVESTING AND RETIREMENT PLANNING AND IMPLEMENTATION

Real estate always goes up: If we have learned anything since 2008, it's that this is just not true. Many of us realized this fact back in the late '70s and early '80s as well, but for the younger generation, these last six years have been a new awakening. In my opinion, it is not over yet; the trend is our population is decreasing and families are having fewer children and, more than ever, some are deciding not to have any children. If there are going to be less people to buy real estate, what happens to the price?

Work for a company with a good pension plan and stay with it until you retire to secure all the income you need: In today's world, most companies have stopped pension plans altogether and now offer 401(k) plans that put the investment responsibility back on the employee's shoulders.

Mutual Funds are managed portfolios, so buy and hold on to them: There is a big difference between active and passive management, and you, the investor, pay for it. Do you really know the difference? Read Chapters 6, "Funds," and Chapter 7, "What You Don't Know Can Hurt You."

Social Security is an entitlement and you will always have it: This is a big lie, spread by politicians who have stolen your money without a gun. They did this simply by changing the nation's rules and laws and calling the result a tax. Does this sound familiar? See Chapter 11 for more.

All annuities are bad: Have you ever heard people say they got rich investing in annuities or life insurance? Neither have I, because they are not investments. What are annuities actually designed to do? Why should anyone own an annuity? What you don't know could really hurt your retirement planning. What is best for us is not always what we have been brainwashed to believe. Get straight talk; see Chapter 8.

All advisors are the same: This is patently false. See Chapter 14, the chapter your advisor does not want you to read. What you don't know can hurt you and may have already done so!

Demographics mean nothing when it comes to investing: Does it make sense to you that the more people who are working and saving and investing, the better the markets should be? Ten thousand aging baby boomers turning 65 every day just might create higher demand for hearing products or retirement communities or healthcare services. Demographics are actually the key to long-term investing. Look into the future before you get there; do you think you could make some good investments if you knew what was happening with Americans future spending habits?

It's not timing the market but time in the market: The new century has torn apart that theory that lasted 80 years, and the times, they are a-changing. Read Chapter 6 and Appendix A, "The Four Principles of Risk-Intelligent Investing," the keys to managing your downside risk. This chapter should save you or make thousands of dollars into the future if you use it.

Low fees means better results: Only investments that have poor performance can justify low fees! Many annuity sales people use this to sell their annuities, but the reality is that annuities are not investments; look at the real numbers and you'll see they say something different. When you invest, you want the best performance for the fees you pay, and that is called net return or profit.

Your average annual return (AAR) measures how much you have made on your investment for a period of time: This is the biggest myth of them all. Read chapter 7, "What You Don't Know Can Hurt You." Every investor should be mad and join my demand that this be changed immediately—unless you like being lied to. This chapter will make you a very wise investor.

Investing Simplified is for all those who are looking to become better, smarter investors, and it is designed as an investor's guide that can be used from your first job all the way to, and through, the retirement years. Some of the things we will cover include:

Individual Stocks and Bonds

Mutual Funds and 401(k)s and IRAs and Roth IRAs

Annuities and Life Insurance

Managed Portfolios

Fee-Based Investing

Estate Planning

Long-Term Care

Reverse Mortgages
Hidden Veteran Benefits
Taxes, How to Pick a CPA
Retirement Investing and Living off Your Investments
Medicare Benefits
Health Insurance
Social Security Benefits
Risk Investing
How to Find an Advisor

I consider myself a financial doctor. The family doctor is very similar; I review my clients' needs and wants, analyze their situation, and then refer them to any specialist they might need. If your advisor does it all, you have a fool for an advisor and if you have an advisor who's not a team player and does not work with other professionals, then, for your benefit, you need to read this book and change advisors.

No one advisor has all the answers. Some just think they do, and I know I do not. I know what I don't know, but I know other professionals who have those answers.

The most amazing thing about financial planning is that everyone has ideas, and there are no black-and-white answers; there are many shades of grey, depending on who you are talking with, so how do you decide which one is best for you? You can find out by reading this book.

Does your advisor work with CPAs or attorneys or other experts in other fields? If not, you need to ask, why don't they? By having a team of several professionals, including a CPA or an attorney and a financial advisor, you create a system of checks and balances and they review each other's work. On the other hand, if your CPA and your advisor are the same person, who checks up on that person? When it comes to your money, you need a team of professionals with different areas of expertise, not a jack-of-all-trades. The public can be divided into two basic investment categories:

THE "DO-IT-YOURSELF" INVESTOR

This investor represents about 7 percent to 10 percent of the population and usually they invest all of their investable dollars. We will explain in plain language how a particular investment works, including fees and expenses, and I believe this knowledge will empower you to gain better returns and a greater understanding of what you are investing in. If you are a do-it-yourself investor, you can move on to Chapter 6, since you already know the basics.

Also, remember that even though you do it yourself, this does not mean you don't pay fees, or how could Charles Schwab pay himself in excess of \$20 million a year and pay all of his employees and not charge you fees to invest? The same is true of Scottrade, eTrade, and any other self-service brokerages; everyone has to make money to stay in business and there is no free lunch or really free

investing!

You may have been born at night, but it wasn't last night was it? Do you know anybody who works for free? We all understand that there is always a cost and the key to being a successful do-it-yourself investor is to be logical, not emotional, about your investments, and really understand how to figure out your real return and account for your time.

The fact is that some day all of us will need help with our investments because if we live long enough, there will come a time we can't mentally or physically take care of them on a daily basis. In fact, many of my clients used to invest for themselves, but once they retired and realized they had better things to do like travel, play golf, or just watch their grandchildren grow up, they started using a fee-based advisor.

THE "I NEED HELP TO INVEST" INVESTOR

The remaining 90 percent to 93 percent of the population realize they need help to invest and they should work with an advisor. This book will explain how to hire one. Yes, I said, "Hire one", and not get sold by one! I will explain how advisors are paid and the fact that many of them just sell certain products and services because of incentives and commissions that are seen or unseen, but do you know the difference?

This is where you need to have a little common sense and ask questions. I will provide the questions and answers for you, but the common sense and the willingness to ask questions is your responsibility; after all, this is your money, not your advisor's.

EVERYONE ENDS UP AT THE SAME POINT IN LIFE AND IT'S CALLED RETIREMENT

Whether you are still a few years from retirement or you are already there, chances are good that you have thought about many of the things and worries that afflict retirees. There is a great deal to process when you retire and the more help you have, the better.

If we live long enough, we will all get there, and **most people will have three main concerns:**

Running out of money or income

Living too long and ending up in a long-term-care facility

Medical expenses, the great unknown

However, the first thing you should be concerned with is if your investment portfolio is managed to your risk tolerance at retirement. Taking big hits during retirement will be one of the most costly things you will encounter and you need a strategy to minimize the effect.

We will try to answer these concerns for you, but you need to prepare for it and you need to work at it. Remember these words: Prepare for the worst and pray for the best.

CHAPTER 2

A Brief Introduction to Investing

I have over 42 years of experience in helping people live with their retirement planning, or lack thereof, and what I have seen has convinced me that investing is the thing that makes the biggest difference for a comfortable retirement. Investing Simplified is designed to take you from where you are now to where you want to be, and if you are already retired, this book will make you think about the steps you can take to keep you from outliving your money (see **Chapter 12, "How Much Money Do You Need to Retire,"** and **Chapter 13, "Common Retirement Concerns,"** and to make sure your estate is in good order, see **Appendix B.**)

Before you start investing, it is important to lay the proper foundation and establish some rules: The first rule to live by is...

Want to learn Chuck's first rule to live by when it comes to investing?

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