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NEW YORK TIMES BEST SELLING AUTHOR
GARRETT GUNDERSON

BUDGETING SUCKS



LIVE FREE, RETIRE WEALTHY:

How to keep more of what you make without
sacrificing, scrimping, or becoming Scrooge

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WEALTH FACTORY, LLC

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Hardcover: 979-8-9864736-0-4

Paperback: 979-8-9864736-2-8

eBook: 979-8-9864736-1-1

Library of Congress Control Number: 2016932337

Cover design by John Veiceli

Book design by Bethanie Hillier

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INTRODUCTION

“If money is your hope for independence you will never have it. The only real security that a man will have in this world is a reserve of knowledge, experience, and ability.” – Henry Ford

Budgeting Sucks! And that is exactly why so many aren't great at keeping at it long term. The focus and emphasis will never lead to a high quality of life because no one shrinks their way to wealth. Budgeting focuses on what you can eliminate over what can be created. The world of finance, plus well intentioned family, friends, teachers, and preachers, tout budgeting as a key for us to make financial choices or as the ultimate way to be responsible. But what happens when frugality becomes miserly? No doubt it will create misery when our thoughts turn towards coupon clipping over value creation.

This book isn't about becoming a reckless spender, but instead understanding there are alternatives like Mindful Cash Management.

Mindful Cash Management focuses on efficiency, maximizing the use of your existing resources, plugging leaks, creating more cash flow, all so you can reach economic independence in three to seven years. As you read this book, we'll help you answer these questions:

1. What are my most important assets, and am I leveraging them to the fullest?
2. How can I get more value out of my current assets?

3. How can I free up more cash flow to work with—without earning more or cutting back?

Economic Independence is a place where you have enough cash flow coming from assets to cover your lifestyle. It doesn't require you to go to work, take a paycheck from your business (if you have one) or engage in a side hustle. Instead recurring revenue doesn't require daily work. This is a massive win, where you can do things because you want to, not because you have to.

Dale and I will emphasize financial efficiency, then we will teach you our process of Mindful Cash Management combined with Wealth Architecture to replace budgeting while creating a comprehensive financial blueprint to make all your financial pieces work cohesively. As you navigate this book, this will be unveiled and create new possibilities for your life and money.

Your blueprint defines where you're headed and what you require to get there. It determines priorities. To navigate, we'll explore these questions:

1. How can you create a financial infrastructure of automation that replaces budgeting and allows a focus on production?
2. What is required for you to create economic independence?
3. What financial tools are best to build and protect your wealth?
4. How can you accelerate investment income by shifting from accumulation to cash flow?

CHAPTER ONE

From Scarcity To Abundance, The Smartest Way To Live Within Your Means

Money is a key area to shift from a scarcity mindset to an abundance mindset. The scarcity mindset says, “I can’t afford it.” The abundance mindset asks, “How can I afford it?” At some point, most of us have been advised to “live within our means,” and generally speaking, that’s wise. The problem is that most people try to incorporate it through a budgeting-based strategy—to live the advice, they reduce spending. They scrimp, save, delay and defer. But the smartest way to live within your means isn’t to think in terms of reduction, but in terms of production. To use a common economic metaphor, instead of eating less pie, learn how to bake a bigger pie.

If you’re struggling, it’s easier and smarter to expand your means by scaling production and value creation for others. This means investing in yourself to get better at solving problems and serving others. Your ability to reduce your spending is finite and has limits. You can only reduce so much before it’s impossible to reduce more. But production is infinite. There’s no limit to the amount of value you can produce for others, thus the amount of wealth you can create for yourself.

Those who budget tend to spend a lot of their time thinking of how to cut back and conserve rather than to focus on problem solving or generating income. Distracted by fear, doubt, worry, or uncertainty, they obsess on how to use their current means, rather than expanding them. However, human ingenuity, brought to bear on finite resources, illuminates new ways to use those resources. A piano has eighty-eight keys. But with those limited keys, you can create unlimited melodies.

Like piano keys, it may seem to you like your resources are limited. But your ability to create value is unlimited. A paper clip in the hands of one person may be just a paper clip. But for those of you familiar with the show MacGyver, you may recall that he could put this most basic of tools to unlimited use. To expand your means, you must ask yourself questions like:

- How can I deliver more value?
- How can I serve more people?
- How can I impact people more deeply?
- How can I solve the problems I see people struggling with?
- What methods can I use to reach more people?
- What isn't working in the world or marketplace that I can resolve or improve?
- How can I become irreplaceable at what I do?

The Consumer Condition vs. The Producer Paradigm

Scarcity is by far the greatest destroyer of wealth. If people are focused on reductionist thinking and on constantly cutting back, then life will always be rigged against them. Those who live in scarcity are prone to a disease of the mind I refer to as the “Consumer Condition”. It is rooted in fear and the belief that there are limited resources: “Every dollar someone else earns takes a dollar away from me.” The Consumer

Condition fundamentally misleads people to focus on what they can take, over what they contribute. Budgeting can feed this condition.

Consumers focus on the fact that the amount of currency in circulation is finite, but they fail to see that it can exchange hands an infinite number of times when people create value. This is the velocity of money: the rate at which money circulates or changes hands in an economy in any given period. And the velocity of money is what creates wealth. In times of prosperity, the velocity of money is much higher than in times of recession, because there is more focus on exchange.

The Velocity Advantage

ECONOMY	PERSONAL
$V^2 = \frac{\text{GDP}}{\text{Velocity} \times \text{Money Supply}}$	$V^2 = \frac{\text{Output}}{\text{Input}}$

Find underutilized resources that can be converted from accumulation to cash flow. Through education, resourcefulness, and implementing a new model you will advance your path to Economic Independence.

Entrepreneurs have different complexities than W-2 employees do. But most financial advice doesn't make much effort to address this. The media and retirement planners are stuck in the accumulation model, predicated upon wealth being a function of how much money

you sock away, how much risk you take to chase returns, and how long you are willing to wait before enjoying your money. It is slow and can have landmines of risk. It typically fails when all is said and done.

Even worse, through guilt, uncertainty, and family pressure, most business owners feel an obligation to fund their retirement based upon this antiquated information. This puts their business at risk, limiting cash flow and slowing the process of building wealth.

Stage 4 is the solution. It focuses on velocity. It's built on the philosophy of expanding one's means, where movement of money allows exchange to create wealth. The entire system of exchange moves with value: the higher the value, the higher the velocity. To create more value, one must focus on serving others and solving problems.

How do you create more output without adding more money, taking any additional risk, or waiting for thirty-plus years? It is a matter of efficiency and expansion: expansion through scale, increasing your productivity, and having a cash flow focus.

Here's where you invest in yourself and your business, in people, processes, and automation. Find the freedom to do what only you do best—what no one else can replace.

Sure, you want your money to make money, but not at the expense of your business's growth or taking unnecessary risk outside of your Investor DNA.

Where are the lazy/stagnant assets? Money not producing money on a monthly basis is not getting you closer to Economic Independence. This is about unlocking assets and allowing them to create cash flow. We call that accelerating investment income.

Pensions and retirement plans—the buy, hold, hope, and pray methodology of building wealth—are failed experiments. This “it-takes-money-to-make-money” thought process neglects

being resourceful or efficient. This system promotes sacrifice and over-reliance on the stock market.

The alternative is to maximize and multiply with velocity, where your inputs are the same (money, time, and risk), yet you increase output through keeping more of what you make and being more resourceful with what you currently have.

What are the quickest ways to increase cash flow? This takes priority over how much money you have left over to save. Finding ways to coordinate or integrate investments and loans to save money without sacrifice. And utilize the expertise of The Accredited Network to find ways to reclaim cash that is rightfully yours. This creates velocity.

Next it is about turning on the cash flow tap. One of the ways I have utilized velocity was borrowing against my cash value to make a down payment on real estate. I then took the cash flow from the real estate to replenish the cash value. When the property appreciated I used the increase to lend money to others as a bridge loan until they secured long-term financing, taking the monthly cash flow to overfund my cash value.

The real estate created tax deductions. The cash value in my insurance supported me in buying a TV studio and equipment. I then created the first on-demand, online program and sold it for \$2,000. This is velocity. It requires liquidity and cash flow.

In summary, the Velocity Advantage is about turning latent potential (non-cash flowing assets) into productive, profitable cash flow through resource-fulness, awareness, and action.

One of the greatest risks to velocity is speculation, and therefore gambling. Using Investor DNA will help reduce risk, thereby eliminating time spent trying to recover or being frustrated from losses.

It begins with capturing wealth first and building your foundation. Next you create wealth with Cash Flow Banking, and accelerate

wealth by continuing to apply velocity and keeping your money in motion.

Consumers focus on limitations. They're constantly worried about what they might lose, rather than excited about what they can produce. They work hard and budget just enough to get by, hoping that one day they'll be able to retire and relax. They don't understand that no amount of luck, saving, discipline, thirty-year period of accumulation or high rate of return will ever allow them to live wealthy.

Creating value builds wealth. If you commit to a value-creation mindset, surround yourself with others who share abundantly in ideas and innovation, and seek to produce more than you consume, you become part of the "Producer Paradigm."

The Producer Paradigm embodies abundance. It is defined by what you can create, whom you can serve, and how you can become an invaluable resource in society. Producers create more value for the world than they take from it. They see opportunities where those caught in the Consumer Condition only see problems. Producers bring solutions to the table. They monetize the services they provide. When you're willing to invest in yourself and create value, people will be drawn to you.

We are neither completely producers or completely consumers, but what matters in the end is our predominant perspective. Where do we typically operate from?

You can't control the external and global economy, but you can choose the direction of your personal economy. You have the power to choose your next step, regardless of circumstance. You decide what to focus on, and what you focus on will grow. No one else can do that for you. Being a producer empowers, enlightens, and opens your eyes to a wealth of opportunities.

Shift Your Mind To Transform Your Wealth

When you obsess on cutting back, you cheat yourself. You miss out on the day-to-day moments that can make you wealthy right now. Money is one of many forms of currency. Other measurements of wealth include recreation, relaxation, and rejuvenation (e.g. spending time with family, gardening, working out, etc.). Activities that indirectly support us to be more productive or to enjoy life can be as valuable as money in the bank.

To move out of a scarcity mindset demands that you see what's really going on in your personal, professional, and financial life, and properly align these areas to **minimize your risk, maximize your return, and keep more of your cash.**

People in the Consumer Condition don't recognize that the world has an infinite amount of innovation and human ingenuity. Money can exchange over and over again. **Rather than applying that ingenuity on cutting back, you can apply it to making more.** Spend time with those who manifest Producer energy and vision. Continually look for problems to solve and people to serve and support. Continue to think productively and create value, and your satisfaction and wealth will follow.

Budgeting restricts, while producing value expands—even if it means spending today. Seek the human life value inherent in others, and tap into it to enrich your life. While Consumers often have a do-it-yourself mindset, Producers focus on their strengths and enable others to do the same. Consumers think in terms of scaling back and cutting costs. Producers ask questions like, “What would hiring a new associate in my business or delegating things that drain my energy free me up to do?” Yes, you'd be spending more, but you'd also be buying time. What else could you do with that time? Would time create opportunity? Leverage? Energy? Vision? Abundance comes

from thinking about value creation. Beyond thinking, add the right people that will add value to your life or business and allow you to produce at a higher level. In fact, the next time you feel stuck, frustrated, or depressed, call someone you know whom you can deliver value to. See where it takes you. Simply speaking with someone who relies on the service or expertise you provide automatically shifts your mindset into the Producer Paradigm because you feel valued.

Human Life Value

Your own combination of knowledge, skills and abilities - everything that you are when you take away your material resources. It is your character and integrity, your ability to think creatively and uniquely, your relationships, your faith or the lack of each of these things.

It is your knowledge and ability to shape materials and information in new ways that are valued and utilized by others and yourself.

Every material thing you enjoy today came from the utilization of individual human life value. The materials in your home already existed in the earth, but until human life value was applied to natural resources, that matter was nothing but potential value. When human life value is applied to physical matter, it becomes shaped and manipulated into something valuable to people.

Escape The Budgeting Trap: 6 Tips For Mindful Cash Management

We all experience temporary financial scarcity from time to time. But how long we experience it is entirely up to us. In times of scarcity, focus on value creation and be mindful of your conversations. If you shift your mindset toward abundance, you approach finances by thinking about efficiency rather than restriction. You'll start to see how you can be more efficient with what you have, and find ways to create more value to expand your means. Shifting into the Producer Paradigm starts with simply being mindful about your money—how much you're making, how you're spending.

Many people find it easier to avoid thinking about money. But if you're willing to actually look at your income relative to your spending habits, your life will get easier every day. You'll see how the pieces of the puzzle fit together, you will engage in powerful conversations with others, and you will be able to spend time with mentors who understand how to support you with your finances.

Here is the starter kit to move from budgeting to Mindful Cash Management. These six tips can help you overcome scarcity with your finances, be mindful with your spending and create greater abundance in your life.

1. Pay yourself first. Take a percentage off the top and set up a separate bank account to avoid co-mingling funds. This is perhaps the most important step to becoming self-reliant and gaining confidence with your finances.

2. Be accountable. Set up a weekly or bi-weekly time to review your finances to insure you don't spend more than what you make. You might consider hiring a partner who will hold you accountable to these plans.

3. Have the right tools. Setting up a simple system for Mindful Cash Management. There are many automated tools you can use to help you know where you are at any time with your finances. When you have the right tools, you won't have to spend all your mental energy on finances. You can more easily pay yourself first and stay on track with minimal time and effort. Dale uses a tool called Mint.com that helps him stay on top of his money and manage his finances in one place. I use a bookkeeper/controller that sends me weekly reports.

4. Be honest about your financial situation. If you're buried in loans, stop trying to impress your friends and family. Instead, engage in powerful connections with other people who have been in your situation.

5. Cultivate strong relationships. Build a circle of influencers who can see past your scarcity thinking and who can offer real solutions to improving your finances. You are the average of the top five people you spend the most time with, so make it count when building friendships.

6. Ask yourself better questions. People in scarcity say things like, "I don't have the time" or "I don't have enough money." In an abundance mindset, your thoughts change to, "What would it take? How can I create more value?" Similarly, a budgeter will wake up and say, "There's never enough money. I don't have the resources." A Producer, however, will ask, "What would it take for me to be able to create more value in the world, and therefore, get paid? What are the things I'm uniquely gifted or equipped with? Who do I know? What can I do to better myself and others?"

To shift from scarcity to abundance, it's important to always pay yourself first. Invest in yourself. Then set up automation and a tracking system to monitor your money, with tools in place to reinforce your awareness, and a team of like-minded producers to support

your personal goals and help you further expand into an abundant mindset.

How To Attain Immediate Financial Freedom

First, let me distinguish between “financial independence” and “financial freedom.” Financial independence means having enough recurring revenue, a.k.a. passive income, to cover basic living expenses. Financial freedom means that money is not the primary reason or excuse to do or not do something. Financial freedom has everything to do with mindset, and nothing to do with actual financial resources. No one stuck in a budgeting game and mindset can find true financial freedom. Money is typically the primary motivator for those stuck in the budgeting mentality.

The three measures of worth that shed light on financial freedom:

1. Price: what you pay.
2. Cost: the net economic impact. (i.e., you might pay more for the right tax professional’s services, but they may save you more than the cheaper professional.)
3. Value: the overall feeling of satisfaction.

On one hand, those who focus on price alone—spending the majority of their time looking for deals and ways to save—get stuck in reduction and scarcity thinking. Savers typically go beyond being frugal. Spenders, on the other hand, rarely assess what is happening with their money. They don’t think about setting money aside and ignore finances today in the name of “I’ll just make more”. Ultimately, the key to clipping the shackles of scarcity and budgeting come from determining the value—looking at how something makes you feel and the benefits you receive. **Financially free people look at value first, cost second, and price third.** What you pay is never the first or

only consideration. If you focus on quality of life first, you will feel the value of the solution more than the sting of the cost. (Obviously, if the lower price option is just as valuable, go with the lower price every time.)

The Best Investment

The smartest investment you can ever make is an investment in yourself. No other investment will give you greater returns and long-term stability. You are your most important asset. Start by asking yourself powerful questions such as:

- How can I add value?
- Can I do something to really support people that would lead to earning more?
- With some additional financial knowledge and savvy, could I find, earn, or grow money?

Like all assets, constantly improve yourself to prevent stagnation. The more you invest in yourself, the wealthier you become. Cultivate an abundance mindset and adopt the Producer Paradigm. Create and maintain healthy habits. Spend time with people who bring out the best in you. Win by choosing the right game, the best team, embracing financial freedom, and expanding your abilities.

Dale works with a mentor, Andrew Thorn, that has been truly instrumental at helping him operate from the abundance mindset. Andrew wrote a poem called “Only Abundance Remains” that epitomizes our thoughts on the subject.

Only Abundance Remains

Andrew Thorn, October 3, 2019

*Lingering thoughts of scarcity. Temper the fruits of this season.
Something inside yearns to be born. Fear keeps beauty buried
within.*

*Want and desire is not enough. To stifle concerns of insufficiency.
No outside force offers relief. Truth must become me.
Surplus blooms. From an open heart.*

*Reaching far beyond cognition. Trust informs an affirmation. I'll
give it all away. Like Summer's dandelion seeds. My restless soul
is exposed. And only abundance remains.*

CHAPTER TWO

Hidden Capital

“You don’t go to people with your problems. You come to your friends.”

- MacGyver

To build wealth requires going beyond budgeting. Instead, it is imperative to focus on delivering value, serving others, or solving problems for people. These are the resources that drive money. Our Financial Capital is merely the receipt of building and utilizing our Mental Capital and Relationship Capital.

When I launched my first book, *Killing Sacred Cows*, I had to be resourceful due to a recession and real estate cash crunch. I had a big vision for the book. I knew it was unique—and it was a message that could make a real impact if shared. I wanted it to become a bestseller in order to reach and impact more lives, as well as grow my platform. Unless you’re famous, it is likely to require money—and a lot of it.

I decided to go all in on quality and marketing. I spent tens of thousands of dollars on the writing, editing, and the publishing process. I signed a contract with a book promoter committing close to \$100,000. I paid a PR firm \$92,000. I bought full-page ads in NY Times and the Wall Street Journal, which cost me \$66,000. When the dust cleared, the book cost me close to half a million dollars before it was even released.

In the meantime, the economic recession was in full swing. I was heavily invested in real estate, which had tanked. My tanking real estate portfolio was the greatest source of my cash crunch. I was also still recovering, both emotionally and financially, from my business partners dying in a plane crash.

The Value Equation

I wasn't able to pull off my book promotional tour because I'm smarter or hustled more than anyone else. I had the Value Equation on my side. It's simply that I had learned the principle that whenever we think we have a money problem, it isn't a money problem. We're always one idea or relationship away from solving any financial problem.

Actually, if we have the money to solve the problem, it is no longer a problem. The Value Equation will be instrumental in your implementing strategies that overcome the constraints of scarcity and the budgeting mindset.

The Value Equation:

$$\text{Mental Capital} * \text{Relationship Capital} = \text{Financial Capital}$$

Another way of expressing it is knowledge plus people equals wealth.

If you've ever watched the TV show Shark Tank, you know investors go on the show desperate for Financial Capital. They think a lack of Financial Capital is what's holding them back. The reality is to be reiterated: With the Value Equation, we're always just one idea or one relationship away from a major breakthrough or new level

of prosperity. The money from the sharks may be helpful, but not nearly as much as their knowledge and network.

You may be short on cash. But if you're resourceful and giving, you can build and leverage Mental and Relationship Capital into Financial Capital.

“The richest people in the world build networks; everyone else is trained to look for work.” – Robert Kiyosaki

Leverage The Right Capital

A lot of business executives and start-ups are taught to raise Financial Capital. But fewer are taught to raise their Mental and Relationship Capital first.

When people understand and have relationships with their client base, it can be a powerful source of leverage for them. People love the opportunity to serve and support. Business owners make the mistake of doing it on their own with the existing people on payroll, versus tapping into the people who want to help or who have major influence in their field (and beyond). Just their voice in support of what we do, would make a difference in how our business is perceived or how we go about organizing our work.

You have to be clear about what you want and willing to not only ask for it, but also, have an answer when people ask you how they can support you and your work. People love what they have the ability to be part of. What they can help build, they will support.

Rich Christiansen is a master of the Value Equation. In fact, he's the one who coined the term. Rich has created eighteen multi-million-dollar business with less than \$5,000 of startup Financial Capital using the Value Equation. In the corporate stage of

his career he had been a General Manager for About.com, General Manager of Mitsubishi Electric's PC Division, and a Product Line Manager at Novell. He developed tons of Mental Capital at these jobs and had also built an extensive network.

After leaving About.com, he started a search engine optimization firm. He spent about \$5,000 putting up a website and printing business cards, then buying airline tickets, hotel, and food for one trip to Time Warner, where he had relationships. He ended up signing them as a client to help their musicians get their songs high on the search engine rankings. From there, the business funded itself. Within one year he had generated \$1.2 million in revenue, at which point he sold the business.

When Rich published *The Zigzag Principle* in 2011, he spent a fraction of the budget I spent promoting *Killing Sacred Cows*, but his book still became a bestseller. How did he do it? With one phone call to his mentor. Rich told me he had never asked his mentor for anything. Shortly before his book was released he called him and said, “This kills me to do this. But I’m going to be promoting my book and I have something to ask you.”

His mentor interrupted him and said, “Stop, Rich. Whatever you ask, the answer is already yes.”

He bought thousands of copies of Rich’s book and gave them to successful entrepreneurs across the state. That was the end result of Rich simply taking some initiative to clean an office, then creating value for his mentor over time.

According to Rich, the success of most businesses has very little to do with Financial Capital. In fact, his take is that nine out of ten business are overfunded, not underfunded. As he has demonstrated

over and over again, your financial success isn't determined by the Financial Capital you start with. Rather, it's determined by your Mental and Relationship Capital.

Building Mental And Relationship Capital

It is time to scrub the phrase “pick your brain” from your conversations. This implies a withdraw of Mental Capital. Think instead of how you can add value, build a relationship and therefore learn as you spend time with the individual. Think deposit first. Rich is a perfect example of what is possible when you approach the situation with this mindset of value.

The Value Equation is key to being more resourceful, turning potential into profit and making money regardless of how much money you have.

Rather than budget and cut back, instead invest in your knowledge and develop your relationships. Hard work with the wrong philosophy will produce mediocre results at best and at worst, can still lead to bankruptcy. Don't budget your way broke. Invest in yourself.

CHAPTER THREE

Save Money Without Budgeting

“How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case.” - Robert G. Allen

Ever heard of the term the “Latte Factor®”? It was coined and even trademarked by my friend and popular personal finance author David Bach. According to his website,

The Latte Factor® is based on the simple idea that all you need to do to finish rich is to look at the small things you spend your money on every day and see whether you could redirect that spending to yourself. Putting aside as little as a few dollars a day for your future rather than spending it on little purchases such as lattes, bottled water, fast food, cigarettes, magazines and so on, can really make a difference between accumulating wealth and living paycheck to paycheck.

We don’t even realize how much we’re actually spending on these little purchases. If we did think about it and change our habits just a little, we could actually change our destiny.

David’s advice is valuable for people in bad financial circumstances who struggle with discipline. But it may limit a business owner, high-income earner, or someone already making more than they spend.

I am sure you have heard from well-intentioned family and friends that path to wealth is to cut your expenses and scrimp like a miser. The truth is that there's a much smarter way. You can free up way more cash than cutting out your daily trip to Starbucks. In fact, it doesn't require that you cut out anything at all.

If you want to budget, budget your time, not your money. To free up cash, forget about your daily coffee or cable bill. Instead, analyze your taxes, loans, insurance, and investments. Dale has coached for my firm Wealth Factory since 2006 when it was called Freedom FastTrack. Through these sessions he has discovered more than 10% of most people's income is lost on unnecessary taxes, interest, insurance, and investment fees. By structuring each of these properly, thousands of people have saved thousands of dollars per month—and all without changing their spending habits.

Here are some of the ways to keep more of what you make without budgeting.

Improve Your Credit Score

Your credit score can be leveraged to your advantage. Ideally, you want your credit score to be at least 720. In a perfect world, it would be 760 or higher. With a higher credit score, you may be able to negotiate better interest rates, refinance a loan to get a lower interest rate, or lower your car and homeowner's insurance rates. To get your most accurate credit scores that are used by creditors, go to myFICO.com.

Obviously, paying your bills on time is the best way to maintain your credit score. To improve it, here are the most important things you can do:

- 1. Fix errors on your credit reports.** The U.S. Congress commissioned a study on credit reporting, which was performed by the Federal

Trade Commission. The study found that one out of every five consumers has an error on at least one of their three credit reports. An error on your credit report can have substantial consequences. It may mean getting denied for loans, or getting a higher interest rate.

Credit reporting agencies are required by law to let you see your credit report once a year. You can check yours now at [AnnualCreditReport.com](https://www.annualcreditreport.com). I recommend you request at a minimum one free report from one bureau at least every year. This allows you to regularly monitor your credit and check for errors for free. Ideally, you start with looking at all three bureaus for inconsistent reporting between the three.

Check your report regularly for errors, such as misreported limits, duplicate accounts, accounts that don't belong to you, etc. However, if you do find errors, don't dispute more than three errors at a time with the same bureau.

2. Manage credit cards wisely. Don't get as many credit cards as you can. Ideally, you want to have just three to five, which have the maximum limit you can qualify for.

Limit your credit inquiries to one or no more than twice a year. Anything more than that may result in a five-to fifteen-point decrease in your credit score.

Also, keep your balance on all your credit cards at 30% or lower. However, when you pay off cards, don't cancel them. The length of a card's credit history helps your score.

3. Have an installment loan within the last two years on your credit history. An installment loan comes with a fixed period of time and a fixed minimum payment, such as a car loan or lease, a jewelry loan, or a signature loan.

The 3R's To Paying Less On Your Loans

The 3 R's are (1) Reallocate, (2) Renegotiate and (3) Restructure.

You may want to reallocate your underperforming funds to pay off high interest rate loans or if you haven't renegotiated your interest rates or restructured your loans in the last two years or so, you're probably overpaying interest and losing cash flow.

Here are a few strategies that may be helpful, depending on your unique situation:

- Refinance your mortgage.
- Roll high-interest, non-tax-deductible loans into low-interest, tax-deductible loans. For example, you could refinance your home and pay off credit cards with your new mortgage.
NOTE: do not do this until you have read this entire book and a way to capture the savings!
- If your car is paid off, you could refinance it and use the loan to pay off a higher interest rate loan.
- Lengthen the term on the loan to lower the payment. (And use the difference to pay off higher interest rate loans, build a peace of mind fund (savings), or invest in yourself to expand your means).
- Use a loan from a cash value insurance policy to pay off a higher interest rate loan.
- Get a loan from a retirement plan to pay off a high interest-rate loan.
- Get a loan from a family member or friend using a promissory note and use it to pay off high-interest loans. Pay them more interest than the bank gives them but less than the bank is charging you.

Reallocation means that when you have loans and investments, you may be earning less interest from your investments than you're paying on the loans. It may be to your advantage to pay off the loan before putting more money into the investment. This way, you save more money by recapturing the loan interest than you would earn money from your investment.

Sacrificing a bit may speed up the process. But if you work smart, instead of just hard, you can save money without cutting back or budgeting. Forget about your daily latte expense. Find much more money to save by analyzing your taxes, loans, insurance, and investments.

Jordan Cooper, a dentist, worked with Dale to free up cash flow and grow his business. The first thing Dale looked at was his loan structure. After a thorough evaluation, Dale identified a total of sixteen loans that all needed work. He identified the worst loans with either high interest or short repayment terms. By refinancing about half of his loans, Jordan recaptured around \$15,000 a month in cash flow, which he used to pay himself first and invest back into his business.

Another Wealth Factory client, Ben and Joyce Frank own a youth ice hockey club with three locations in Southern California. I met them at an event Wealth Factory hosted. While on a break at the event, Ben called two companies they had loans with and asked if they could restructure their payments. Since they had made all their payments on time, both companies agreed. By extending the length of the loans, their monthly payments were decreased by a total of \$2,500.

Ben said, “*We had really bootstrapped our business for the first five years, so increasing our monthly cash flow was a big deal. With that cash*

flow, we've been able to hire more and better people, which then allows us to focus more on working on the business. We've also improved our technology and systems. When you free up a few thousand dollars a month of cash flow, it has ripple effects because now it frees up our time to focus on the next bigger thing and everything just accelerates.”

Structuring Your Insurance Properly

Many people are leaking cash by having poorly structured insurance. Here are a few ways you can minimize insurance costs while maintaining or even maximizing the benefits:

- Raise your deductibles. The lower your deductible, the higher your monthly payment. The purpose of insurance is to cover major losses, so a low deductible usually doesn't make sense. I recommend raising your deductibles to \$1,000 or even to \$2,500, depending on how much you save. This is one of the ways there can be an external return on your savings account. Even if you aren't earning much, having money available saves you as you reduce insurance costs and handle inconsequential risk on your own.
- Use an umbrella policy to coordinate insurance. Umbrella policies provide liability coverage beyond your automobile or homeowner's policy. If your liability coverage isn't enough to cover damages, an umbrella insurance policy covers the difference. Properly structured umbrella policies may allow you to drastically increase your coverage while lowering your premiums on your car and homeowners insurance.
- Check for duplicate or unnecessary coverage. It's common for people to have duplication within their policies that cover the same thing. For example, you could have an umbrella

policy that has more than the required minimums on car and homeowner's liability for the umbrella to kick in. Lower your liability coverage on your car and home, to the minimum required, allowing the umbrella to more efficiently cover you. Plus, drop policies that do not cover catastrophic events, such as short-term disability or accidental death and dismemberment policies when you have enough money in savings.

- Extend your elimination period on disability insurance. The elimination period is the time between the onset of a disability and the time you are eligible for benefits. On disability policies with 30- or 60-day periods, premiums are extremely high. Premiums drop substantially if you change the elimination period to 180 days or longer. Even more reason to build up your savings as liquidity gives you the ability to handle the first several months on your own.
- Combine long-term care insurance with life insurance. An accelerated death benefit rider for chronic, critical or terminal illness on your life insurance may give you adequate coverage for long-term care insurance. This may allow you to drop your existing long-term care insurance or never have to buy it in the first place.

Use A Corporation To Get Tax Advantages

If you haven't incorporated with a legal entity, such as an LLC, S Corp, or C Corp, you're likely overpaying on taxes. Business owners get more tax advantages than employees.

"Just by talking to one of Garrett's tax strategists we found that we are going to save \$15,000 in taxes. That was something I wasn't paying

attention to. By setting up the right corporation and changing my salary, I can take more as a draw/dividend from my businesses instead, so that I can save some on self-employment taxes like medicaid and Social Security taxes.” - Nader Bazzi

Even if you’re a W-2 employee and technically don’t own a business, you can still set up an entity if you do any independent contractor work. This will allow you to take advantage of the following potential deductions and many more:

- **Home Office Deduction:** If you make phone calls or use a computer, you can create a dedicated workspace in your home and deduct it as a home office expense.
- **Phone, Internet, and Utilities:** With a home office, you can also deduct your phone, fax, and internet expenses associated with your business, as well as a percentage of utilities.
- **Car:** Any time you drive for business purposes you can deduct your expenses, including gas, mileage, and service expenses. Having a home office may even justify writing off a higher percentage of your vehicle.
- **Travel:** You can deduct any travel for business purposes, including annual corporate meetings.
- **Education:** Education costs related to maintaining or improving your skills for your business are tax deductible.
- **Hire Your Kids:** IRS rules allow you to pay your kids for specific tasks and deduct what you pay them.
- **Use of Your Home (aka: The August Rule):** You can rent your home to your business for fourteen days or less to host functions for employees or vendors, and take the tax deduction for the business without claiming it as personal income.

For hundreds of other ideas as well as how to build your team, tax guides, transcripts, and ways to hire your kids, grab your resources at WealthFactory.com/Tax.

The tax code is obviously more complex than these simple descriptions. Use a qualified tax strategist to take advantage of all deductions and stay within the rules.

The type of entity you use depends on a variety of factors, including tax benefits, liability protection, business succession and exit strategies, and future financing and investment criteria, just to name a few. Consult with an attorney to choose the right entity for your purposes.

Maximize Tax Deductions By Using A Tax Strategist

Even if you already have an entity established, you can probably still save money in taxes. In fact, our surveys for the last decade have found that more than 93% of business owners are overpaying taxes.

For example, one simple strategy may cut your current tax bill in half. Business owners spend a lot of time in their business working with clients. These activities are considered “earned income,” which is taxed at your normal tax rate.

At the top tax rate, you’ll currently pay 37.5% of every dollar you make. And beyond that, you may be hit with a 15.3% self-employment tax, depending on how you’ve structured your corporation and income.

But unlike earned income, investment income, such as stock dividends or rental income, is not taxed at the additional 15.3%. The IRS considers time you spend working on your business an investment. So they tax any money you make during that time as a 1099

distribution. This can make a huge difference to your bottom-line profits.

Obviously, there are rules to follow. A qualified professional can help you stay within the rules and reduce your tax burden substantially. And this is just one of at least forty other tax strategies I use and recommend.

You can even look back three years to look for tax advantages that were missed by amending. With Hal Board, we were able to eliminate IRS debt that he had been stuck with for a decade.

"I was stuck in a scarcity mindset due to the IRS. I had set up a payment plan with the IRS, but my payments were not even keeping up with the interest. Every two to three years we'd renegotiate terms, and finally the IRS came back and said it wanted everything owed in one lump sum. I thought my only option was to dip into my IRA savings early and have to pay taxes on it. Garrett, his tax attorney, and his Registered Investment Advisor helped me see another way to eliminate my debt and leave my IRA intact. That year, for the first time, I received a \$7,500 refund check from the IRS and have received a refund every year since. My mindset changed and I felt freedom and possibility for the first time in a long time. You can quite literally take it to the bank. If they tell you they will do something, they do it."

Analyze Investments For Hidden Fees

Most people aren't even aware of the many hidden fees in retirement plans and investments. Even a 1% fee can end up being hundreds of thousands of dollars over thirty years. The key is to consider your bottom-line returns after expenses rather than discounting

something that on the surface seems like a small fee, that can actually have a massive impact.

Fees on investments can consist of the following and more:

- **Management Fee:** This is typically .5-1.5% and goes to pay a money manager.
- **Expense Ratios:** 1-2% for actively managed mutual funds.
- **Loads:** Mutual funds usually have sales loads up front, on the back end when you sell, or both. These can be as high as 5%. This is in addition to the expense ratio and is typically a commission paid to the broker.
- **Administrative Fees:** 401(k)s and other similar qualified plans have fees in the plan itself. Most of these fees are covered by the plan sponsor (the business), but some can also be passed on to participants.
- **Miscellaneous Fees:** Other fees, like 12b-1 fees (mutual fund marketing fees that you pay for), may seem nominal, but they all add up.

Fees are only one of the substantial impacts on your investment portfolio. Protecting the downside is essential in order to create sustainable wealth. How do you manage your risk and avoid unnecessary losses?

The reality is when you hear about losses in retirement plans or the market, it isn't an actual loss, it is a transfer. The money doesn't disappear. Someone "in the know" has the money. Do you know how to be on the winning side of the transfer? If not you are likely taking unnecessary risk with your hard earned money.

When investing, do you know what the risks are, why the investment would work, or when it makes sense to sell? You don't have to have all these answers in order to protect yourself.

If you have secured a mortgage, then you are familiar with risk mitigation in action. The bank requires your taxes, credit report, an appraisal, a down payment or at a minimum PMI (private mortgage insurance), all as a way to protect them and their capital.

When you invest, some of the areas you can manage risk are:

- **Collateral:** get a trust deed that secures you with property.
- **UCC Filing:** if you lend to a business, secure yourself with their cash flow.
- **Trailing Stop-Loss:** when investing in the stock market, you can have a floor that would immediately move you to cash so you don't have to participate in the full downside.
- **Personal Guarantee:** when lending to a business or individual you can add a personal guarantee to add security. More than just one asset, but any unprotected assets with the individual. Bankruptcy would make a personal guarantee invalid in most cases.

Also, before you invest, some of the biggest wins are not getting involved in the wrong deals. Due diligence is critical.

Investors that take on unnecessary risk aren't budgeting and less likely to succeed than a budgeter. Those that are scrimping at the expense of production are in the budgeting mindset. By plugging the leaks, keeping more of what you make, and finding ways to boost your bottom line without taking additional risk, you don't have to budget to get ahead. This does require Mindful Cash Management and infrastructure though.

No more waiting 10, 20, or 30 years to see if your investment have paid off or speculating on an investment you aren't certain will pay off. Instead, you are finding money that is rightfully yours and improving your cash flow immediately.

CHAPTER FOUR

Increase Expenses, Grow Wealth

“Don’t tell me what your priorities are. Show me where you spend your money and I’ll tell you what they are.” - James W. Frick

Suppose you own a rental property. It’s worth \$300,000 and you owe \$100,000 on the mortgage. Your mortgage payment is \$1,000 per month, and you receive \$1,500 a month in rent. Excluding other expenses, your positive monthly cash flow is \$500.

How much debt do you have on this property?

Did you guess \$100,000? If so, it may surprise you to learn that that’s incorrect. There’s a critical distinction to be made here that makes a big difference in how you manage your cash flow.

Most financial pundits will erroneously tell you that, in this case, you have \$100,000 of debt. Furthermore, they will also probably advise you to stay out of debt. Which means that if you were to follow this advice, you would never have purchased the rental property in the first place. And if you hadn’t purchased it, you wouldn’t have \$200,000 in equity and \$500 per month in positive cash flow.

In this example, from a technical accounting standpoint you actually don’t have any debt. In fact, you have \$200,000 in equity, which is the opposite of debt. Debt is mistakenly defined as any form

of borrowing money. But the accurate definition is that debt means having liabilities that are greater than your assets. In other words, if you own a home worth \$200,000 and you owe \$250,000 on it, then you are in debt by \$50,000.

10	10	10	10	10	10	10	10	10	10
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Asset	Liability	Resource/Amount
1.		
2.		
3.		
4.		
5.		
6.		
7.		

Assets are things that either put money in your pocket (increase cash flow) or can be sold and converted into cash flow. Assets could include land, buildings, businesses, stock certificates, life insurance cash values, precious metals, intellectual property rights, etc.

Liabilities are recurring expenses we pay for, like credit cards, auto loans, student loans, payroll, or mortgages. In the rental property example above, the \$100,000 mortgage you owe is a liability, which comes with a monthly payment. But the \$100,000 mortgage liability is offset by the \$300,000 asset (the value of the property), and the payment is covered by the rent.

The point is that we limit our financial choices by not differentiating between actual debt and mere liabilities. Remember: to get beyond budgeting, the goal isn't to simply pay off all loans and get rid of as many liabilities as possible. The goal is to maximize cash flow and achieve economic independence.

**DEFINING ECONOMIC INDEPENDENCE:
Having enough recurring revenue (cash flow) from
investments to cover your basic expenses.**

If the goal is to “stay out of debt” at all costs by never borrowing money, then we would never borrow to get an education, improve our business productivity or build cash flowing assets. Sometimes, increasing our liabilities can be a safe, wise, and effective way to increase our cash flow. This is done by borrowing money to acquire assets.

Getting out of debt doesn't necessarily mean to have all your loans paid off. It means having greater assets than liabilities. Your

balance sheet, which itemizes your assets and liabilities, tells whether you have an overall debt position or an overall equity position.

I agree with the advice to stay out of debt. However, to maximize production, there may be times when it's appropriate to borrow your way into equity, improve your cash flow through the loan, and accelerate your path to economic independence. Understanding the true definition of debt is critical to this process.

In the next chapter, I'll reveal the best way to pay off loans, especially the inefficient ones. In order to optimize cash flow and determine the best ways to pay these loans off, there are key distinctions to be made. Differentiating between the 4 types of expenses will help us evaluate our loans and other liabilities within a more holistic context, therefore boosting cash flow and supporting the path to economic independence.

4 Types Of Expenses—And The Only One To Cut

When it comes to expenses, the standard advice we're often given is to cut, cut, cut. Scrimp, sacrifice, and save. **Reminder: no one shrinks their way to wealth.** This advice is born from the mindset of budgeting. It tends to invite scarcity thinking. Budgeting ignores details and nuances that create wealth. By learning about the four types of expenses you will know which ones to eliminate, manage, address, and even increase.

1. Destructive Expenses: In a general sense, these are expenses that destroy wealth. Borrowing to consume is destructive. For example, using credit cards to finance an experience or trip can be destructive. When you return, you may have memories, but you have a loan that doesn't include an asset and doesn't create cash flow. Overdraft fees or

expenses for vices beyond recreation, such as gambling that leads to debt, can become problematic as well.

These are the only types of expenses to be cut and eventually eliminated altogether.

2. Lifestyle Expenses: These expenses are key to living, can be fun, and create memories. At the same time, they don't directly build assets or income. They include things like clothing, utilities, dining out, vacations, concert tickets, etc.

For these types of expenses, our advice is 1) never borrow to pay for them, and 2) use them wisely to create the quality of life you want. In other words, never put a vacation on a credit card. But by the same token, don't put off a vacation until retirement just because you don't want to spend the money.

Yes, building long-term wealth is important. But so is enjoying your life today. Do you want to be a miserable millionaire? If you never spend money on things you enjoy, what is the point of creating wealth.

When it comes to lifestyle expenses, let's revisit and look at a new angle with the three measures of worth so you can determine whether a purchase is worth it:

- **Price:** What you pay to purchase something.
- **Cost:** The net financial impact. The basic economics behind the choice.
- **Value:** The personal enjoyment or fulfillment you receive from the purchase. Value is perspective—your perspective. In other words, you are the only one who can determine the value of any item, based on your personal preferences.

There are items that may have a low price, but a higher cost. If you purchase something and it breaks frequently and must be

replaced just because it is cheap, this is an example of low price, high cost. Or you can hire the right employee that makes you money, yet cost more than one that doesn't do as great a job and creates worry, the higher price can have a lower cost.

Download *What Would The Rockefellers Do?*
and read chapter 11. To find out more, visit
WealthFactory.com/Cars.

Ultimately, Value Based Spending is a key to being financially free. Where you consider value first, cost second and price is only a consideration, not THE consideration.

Part of cost equation is opportunity cost. In other words, when you buy a \$2,000 TV, you're not just spending \$2,000, which is the price. You're also forfeiting what that \$2,000 could have done for you had you made a different decision. But if you analyze that decision and determine that the value you'll gain from the purchase outweighs the price and opportunity cost, it may be a good purchase for you.

So, manage these expenses wisely, but don't try to cut them out entirely.

With this said, there are two specific potential loan exceptions to consider here: auto loans and home loans. Cars certainly depreciate. But it may make sense to get loans for them to keep your money working for you, instead of paying cash for them. Even better is using Cash Flow Banking to more efficiently purchase cars.

A mortgage on a personal residence usually does not create cash flow (Maybe you AirBNB the home or use the app Turo to rent out

your car, but that would likely change the category of this expense). But a home will likely hold value and may even appreciate over time.

3. Protective Expenses: These are things that protect your property and human life value from damage or loss. The most obvious protective expense is insurance, including life, disability, health, auto, liability and others. Protective expenses also include your liquid savings, estate planning, corporate structure, and emergency preparedness.

This is the financial area that most often gets overlooked. Protective expenses give us peace of mind, thus enhancing our ability to produce. While we do want these expenses to be as efficient as possible, they are vital to our financial health.

Everyone will experience financial surprises or emergencies in their lifetime. 90% of them can be addressed with ease if planned for. Protective expenses can prevent us from being derailed and ensure our legacy is not destroyed.

These expenses are to be addressed wisely to transfer risk and protect, preserve, and perpetuate legacy.

By handling your protective expenses, you can also become more productive. Let's look at Mike and Torri Fair-Gambacorta.

A hurricane hit September of 2018, this was about a year after they started working with Wealth Factory. Even though the hurricane devastated the area and there was no school for a month, they didn't have nearly as much stress as others impacted by the hurricane. They had a different mindset. They already had food storage. They had put in a well. They had a fully funded peace of mind fund.

Although, their business wasn't open for 45 days due to safety considerations, they still paid all their employees. By handling their protective expenses and finances properly, they were now

in a place to support others. It wasn't about survival. They were even able to put energy into thinking and what the next business would be, making downtime useful. Service instead of selfishness can be the focus when prepared. They used the time to make a website and started writing a book.

This wasn't how it went in the past. They had been through hurricanes, but without the security they now had. The difference began with liquidity, this time they had never had been so liquid. Wealth Factory taught them to have a war chest (money set aside).

This allowed them to be more abundant. With the previous hurricane [Irene] their situation and mindset was totally different. They had no food, water, gasoline, no power, their house was hot, they operated in survival.

Protective expenses being handled was critical. Wealth Factory supported them in reading the fine print on their insurances and that created peace of mind knowing they could literally weather the storm.

4. Productive Expenses: Productive expenses are the ultimate way to get beyond budgeting. This allows you to build assets, increase your profitability, and cash flow. These are expenses that, if you spend a dollar, they produce more than a dollar - like any asset that creates cash flow and appreciates in value. This could include purchasing a rental property or a business. If you own a business, hiring a new employee may cost you money, but the increased productivity may make you more money overall. The right education expenses can also be productive by opening new opportunities and developing skills for you to provide more value.

Lifestyle expenses, like furniture, decrease in value and eventually dissipate altogether. Productive expenses, on the other hand, enhance your life now and in the future. They may have a liability attached

to them, such as a mortgage on a rental property. The key is the asset produces more than the liability.

Brian Page learned this when he lost a roommate where he leased a two bedroom apartment. He then used Airbnb to rent out the other room. This would pay for the entire lease, utilities and some months even added cash flow that doubled the amount he owed on the lease. He didn't stop there. By being resourceful, he approached other landlords and offered to use this strategy, pay the amount they would require for rent first, then split the amount above with them. This didn't require money to make money. He leveraged Mental and Relationship Capital and turned a lifestyle expense into a productive expense. He also took this strategy and started to train thousands of others on how to do the same. Now he travels the world and only spends a few hours a week managing his Airbnb portfolio because he initiated another productive expense- a manager.

It's counterintuitive to the "cut expenses at all costs" mindset, but you want to increase productive expenses as much as possible. Think about it: If you own an asset that allows you to put in one dollar and get two dollars out, how many dollars would you want to put into it? As many as still profitable and manageable, right? But people stuck in that rigid "stay out of debt" mentality often don't consider this as a possibility.

Unfortunately, we have found that when times get tough, most businesses cut back on all expenses—including eliminating productive expenses. If you kill productive expenses, you eliminate your opportunity for leverage and growth. It may be wise to cut certain costs and increase efficiency as needed. But this must be balanced by a focus on productivity, which may mean increasing specific costs.

"Recession is opportunity in wolf's clothing." - Robin Sharma

To learn how companies can best survive recessions, Harvard Business Review performed a year-long study of 4,700 public companies. They broke down the data into three periods: the three years before a recession, the three years after, and the recession years themselves.

17% of the companies in their study didn't survive a recession. They went bankrupt, were acquired, or became private. The survivors were slow to recover. About 80% of them had not yet regained their prerecession growth rates for sales and profits three years after a recession. Only 9% of companies flourished after a slowdown.

They found that firms that cut costs faster and deeper than rivals don't necessarily prosper. In fact, according to the study, they have the lowest probability (21%) of pulling ahead of the competition when times get better.

By the same token, businesses that invest more than competitors don't necessarily perform better. They showed only a 26% chance of becoming leaders after a downturn.

The companies who survived and thrived were those who found the right balance between cutting costs to survive in the short-term and investing for long-term growth. The firms who deployed a combination of defensive and offensive moves showed the highest probability (37%) of not only lasting through recession but thriving through it and after it.

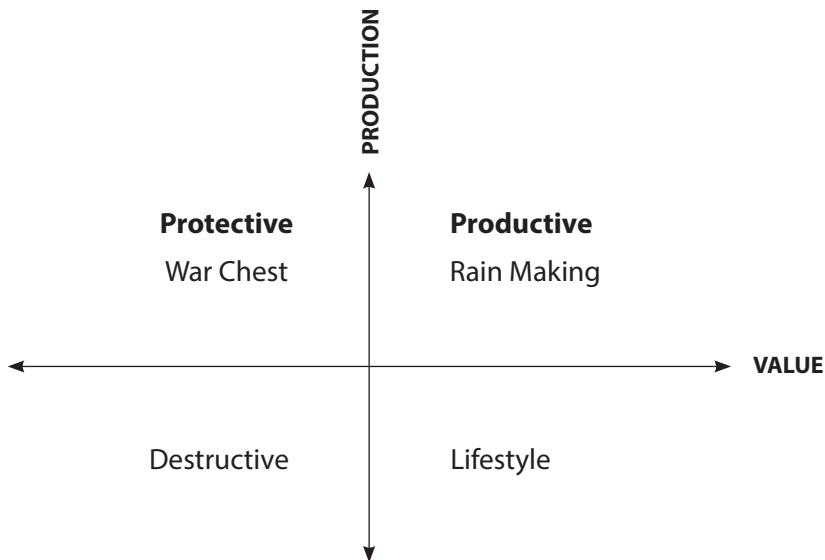
The study concluded, "These companies reduce costs selectively by focusing more on operational efficiency than their rivals do, even as they invest relatively comprehensively in the future by spending on marketing, R&D, and new assets."

Classify Your Spending

Once you understand the four types of expenses, it's time to classify your spending. Look at your bank statements for the past thirty

days. You will want to categorize your expenses into one of the four quadrants, as outlined in the illustration.

This simple chart is a way to help you quickly see where your expenses fall within our four categories:



If the expense creates scarcity or is a strain on your production and value, it's destructive and wise to eliminate. If the expense is of value to you, but doesn't always increase production, it's a lifestyle expense. If the expense works to defend your production, but doesn't technically bring value, it's a protective expense. And, if your expense increases value and production, it's a productive expense.

Be Wise With Expenses To Grow Your Money

In many cases, the way to become wealthier is not to decrease your liabilities, but rather to increase them.

For example, it may cost you \$2,000 to go to an event and get specialized training. But that training may result in tens of thousands

of dollars in increased revenues. If you're merely focused on cutting expenses, you're less likely to invest in your education. If you think all liabilities are the enemy, then you'll never understand how you can safely and wisely borrow to produce.

However, I must give a caveat here: **Don't borrow or leverage if you don't have downside protection and risk mitigation, or if it creates a scarcity mindset.** You are your greatest asset. Don't sacrifice sleep, health, or abundance for a potential payoff. You don't have to borrow to build wealth. But in the right situations, borrowing may be very useful.

The bottom line is that not all expenses are created equal. Here are our guidelines for Mindful Cash Management:

1. Destructive expenses limit your human life value, lead you into debt, or go unused. **Eliminate** them.
2. Lifestyle expenses allow you to enjoy life now by spending money on things you value. **Manage** them by paying cash for them.
3. Protective expenses protect you from risk. **Address** them and maximize their efficiency to get the most bang for your buck.
4. Productive expenses lead to more wealth. **Increase** them as long as it is still productive and you can manage the growth.

CHAPTER FIVE

The Fastest, Safest Method To Pay Off Loans

“Some debts are fun when you are acquiring them, but none are fun when you set about retiring them.” - Ogden Nash

If you have already paid off any outstanding loans that were important for you to eliminate, you may want to move quickly through this chapter. On the other hand, if you have loans you would like to eliminate in less time, with less risk, and without living off rice and beans, pay close attention.

Consider the following loans and rank them in order of how you would pay them off, from first to last:

Loan	Balance	Interest Rate	Monthly Payment
1. Mortgage	\$248,000	6.5%	\$1,750
2. Auto	\$18,000	5%	\$450
3. Credit Card 1	\$6,000	15%	\$125
4. Credit Card 2	\$14,000	12%	\$300

Your answer:

Loan to pay off first: _____

Loan to pay off second: _____

Loan to pay off third: _____

Loan to pay off last: _____

I'll reveal our answer in a minute. But first, let me explain the method we use to arrive at the answer.

Use The Cash Flow Index To Prioritize Loans

Mindful Cash Management is a system that focuses on maximizing cash flow to create economic independence, plugging leaks, and accelerating investment income. The more cash flow we free up on a monthly basis, the more we have to invest in ourselves, our businesses, and our projects.

Mindful Cash Management (MCM) is the answer that prevents people from becoming miserly. That person on the path to becoming a miserable millionaire follows the Ebenezer Scrooge method of money management- pinching pennies until there are blisters on their fingers. MCM focuses on flow of money with regular check-ins to manage, monitor and maintain a healthy financial system. It will aid you in knowing what type of expenses you have, how much you are spending overall, and making sure you pay yourself first without spending more than you make. As long as you have enough money to avoid borrowing, there is no reason to budget because you are already living within your means and paying yourself first. With the recaptured energy that would have gone towards budgeting, you can reallocate that energy to things to build wealth.

MCM begins with how we go about paying off loans to immediately increase cash flow. Many people gravitate towards paying off the

loans with the highest interest rate. But that strategy may prevent us from maximizing cash flow. Ten years ago, we developed a powerful system for paying off loans efficiently, while also maximizing your cash flow. At first glance it may seem counterintuitive, but this system is extremely effective. This process considers the big picture and how everything works together, rather than viewing your loans in isolation. Through reallocation (taking low performing investments to pay off high interest rate loans), renegotiation (lowering current interest paid), and restructuring (refinance your loans to improve your cash flow), you can shave the time it takes to pay off any undesirable loans.

We call this method, which was developed by Dale, the Cash Flow Index. The Cash Flow Index is a simple mathematical formula that reveals the loans that are the biggest drains on our cash flow. Although they may not be the loans with the highest interest rate, it is still smarter and more efficient to pay down these loans first. This can improve your debt-to-income ratio (the amount of payment required in relationship to your total income) and improve your purchasing power over time.

To determine your Cash Flow Index for each loan, divide the loan balance by the minimum payment. If you have a credit card with a \$5,000 balance and a \$100 monthly payment, the Cash Flow Index for that loan is 50 (5,000 divided by 100).

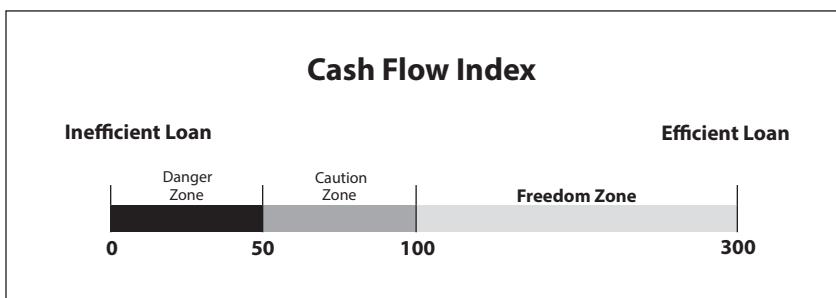
$$\text{CASH FLOW INDEX (CFI)} = \frac{\text{LOAN BALANCE}}{\text{MINIMUM PAYMENT}}$$

A low Cash Flow Index means the loan is inefficient and should be paid off quickly. By inefficient, I mean you have a high payment

on a monthly basis relative to a relatively low loan balance. A Cash Flow Index with a high score is the preferred, more efficient loan.

The Cash Flow Index Zones

The chart below illustrates how to use the Cash Flow Index to determine the order in which to pay off your loans:



Any loan with a Cash Flow Index between 0 and 50 is in the danger zone. When your CFI score falls in this range, imagine that your hair is on fire and you need to put out the fire now. Immediate action is needed to pay off these loans as quickly as possible. On the other hand, loans with a Cash Flow Index greater than 100 are not a high priority to pay off.

- **Zone 1: Inefficient Loans.** Any loan with a score less than 50 falls within the danger zone. From a cash flow perspective, these are the worst loans you can have, and the first ones to focus on. Typically, loans that fall in the danger zone have a lower balance in relationship to a high payment. This is great for lenders, but not necessarily for borrowers.
- **Zone 2: The Caution Zone.** Any loan with a score between 50 and 100 falls inside the caution zone. These types of loans are usually not dangerous, but are to be handled with prudence and caution. If you have any loans in this zone, consider

refinancing or restructuring the loans to increase the term and/or lower the interest rate. This is where having a good credit score will benefit you greatly. When we work with business owners, we sometimes have them consolidate two or more business loans into a single loan with better terms, which in turn increases their Cash Flow Index. Where caution can turn to danger is on a loan that has a large balance. For instance, a mortgage that falls into the caution zone consider refinancing.

- **Zone 3: Efficient Loans.** Any loan with a score higher than 100 is in the freedom zone. They are typically low interest, longer-term loans, such as a mortgage. These loans are ideally structured from the standpoint of cash flow. This means that before you pay extra on these loans, pay off all inefficient loans or caution zone loans first.

We recommend that you make only the minimum payment on efficient loans.

In order to improve the interest rate on your loans, we will unveil the 4C's to better cash flow.

1. **Credit:** If your credit score is 760 or above you have an ideal score. Anything less than 760 requires credit dressing – a process of boosting your credit score. I discovered this process during one of my radio shows when interviewing guest Phil Tirone. Phil was giving tips to improve credit and rather than being a great host, I was texting my wife ideas of what to do. Within thirty days her credit boosted 79 points. We have created a guide for you to download at WealthFactory.com/Credit if you are below a 760 so you can dress your credit up through simple steps.

2. Collateral: Certain loans are better for your credit score and your interest rate. A car loan or mortgage has collateral attached and will typically keep your interest rate low. If you have a paid off car you can refinance that car to pay off higher interest rate loans, all while improving your credit score. An installment loan, like a car loan, can improve your score.

3. Cash Flow Reporting: How you look to a bank makes a massive difference in acquiring loans and improving interest rates. Organized financials support your appearance as a better borrower. Through the proper reporting and documentation, you are speaking the lending institutions language as they make the decision on how much to lend you and at what rate.

4. Connections: Certain lenders specialize in specific types of loans. As you have a higher net worth you may even have access to portfolio lenders or private banks where even more favorable terms exist.

Once you calculate your Cash Flow Index for a given loan, list all your loans in order from lowest to highest scores. Then, with laser focus, pay off the loan with the lowest Cash Flow Index score first. Paying off your least efficient loans first frees up more cash, more quickly. You can then use this additional freed-up cash to pay down other loans, in the order prescribed.

The secret here is to ignore the interest rate. Chasing your highest interest rate can lead to a slower path to paying off loans and take longer to achieve economic independence, improve your financial statement or restructure loans with more favorable terms.

To make this more concrete, let's look at the example of the pop quiz at the beginning of this chapter. This time, instead of just looking at the balance, interest rate, and payment, we'll also calculate the Cash Flow Index for each.

So using the Cash Flow Index, this is the order in which we would recommend these loans get paid off:

Loan	Balance	Interest Rate	Monthly Payment	Cash Flow Index
1. Mortgage	\$248,000	6.5%	\$1,750	141 ($\$248k \div \$1,750$)
2. Auto	\$18,000	5%	\$450	40 ($\$18k \div \450)
3. CC 1	\$6,000	15%	\$125	48 ($\$6k \div \125)
4. CC 2	\$14,000	12%	\$300	46 ($\$14k \div \300)

1. Loan to pay off first: Auto (CFI of 40)
2. Loan to pay off second: Credit Card 2 (CFI of 46)
3. Loan to pay off third: Credit Card 1 (CFI of 48)
4. Loan to pay off last: Mortgage (CFI of 141)

How close were you with your answers?

If you chose Credit Card 1 as the first loan to pay off, you're with the majority of people. It has the highest interest rate and the lowest balance. It makes sense to pay it off quickly, then use the additional \$125 per month you've freed up to pay down the other loans.

But the Cash Flow Index reveals the fastest and safest way to pay off all these loans. It frees up the most cash the soonest, which can then be rolled into paying down subsequent loans. It saves you the most time by strategically addressing cash flow as the priority by lowering your forced monthly payments. This gives you the greatest liquidity to manage your immediate cash flow.

Think of paying off these loans in terms of internal and external costs. When paying off a given loan, the internal cost is the amount of interest we pay. External cost takes all factors into consideration

and isn't limited to the interest rate. For example, a lower credit score could actually create higher insurance premiums and interest rates. External costs can also be taxes, insurance costs, and investment fees.

Each element of your finances is part of a system. Each piece has a potential impact on all other pieces. For instance, paying off the most inefficient loans may lower the utilization ratio on your lines of credit and increase your credit score. With an increased credit score, you can renegotiate your interest rates on other loans, therefore saving even more interest than if you were merely chasing the highest interest rate loan first.

The Cash Flow Index shows the impact of paying off one loan versus another, and how that affects your overall cash flow. Part of the trick is to pay off the loan that gives you the greatest cash flow with the least investment.

James and Candace Bentz:

More Cash Flow = More Time Off = More Fun

James and Candace initially lowered payments on their house through refinancing. By learning the right definition of debt, they felt more financially free. Understanding Mindful Cash Management, they have gone from fear and scarcity to abundance and living wealthy.

"I can catch myself when falling into scarcity now. When our Financial Architect at Wealth Factory told us we could achieve a clear path to economic independence within five years we were very doubtful. Fast forward four years and we have already exceeded that and other goals — far surpassing our own expectations. Just by understanding the different types of expenses, we were able to maximize our cash flow easily. Where "budgeting" used to feel restrictive, we are now empowered by our finances.

This was one of the biggest surprises. Knowing that we are now financially protected and secure has given us peace of mind, which has actually allowed us to have even more cash flow, more time off, and more fun.

“We also cashed out all IRAs to pay off loans and put some into our Cash Flow Bank so we didn’t have to worry about losing money in the market and we can have access to our cash when opportunities arise.” - Jim Bentz

Cash Flow Optimization

Let’s revisit and go a bit deeper into the three Rs.

Reallocate: Look at all other assets that can be utilized to pay off high interest rate loans. Cashing out underperforming investments like CD’s, bonds, mutual funds or stocks. You may also look for more favorable borrowing from existing assets, therefore continuing to earn interest with your money while improving overall cash flow. This may come from life insurance cash value, borrowing from retirement plans, or setting up lines of credit with a brokerage.

Take Tommy and Neshia Rudd for example. They were operating from a negative \$1,954/month. We looked at their assets and they had \$8,281 in an IRA and another \$84,000 in a 457-retirement plan. By looking at their CFI they had multiple inefficient loans. By using money from these two accounts, after tax and penalties, they paid off four inefficient loans. This freed up \$3,302/month in cash flow. To use approximately \$93,000 to create over \$3,300 per month would require a double-digit interest rate. This is a guaranteed improvement in cash flow and improved peace of mind. This is one of the safest and quickest ways to create economic independence and create cash flow.

Renegotiate: As you utilize the 4C's you may be able to ask for better interest rates. All interest rates are negotiable. Have you inquired about lowering interest rates on your credit cards or looked into a streamline refinance (lowering your interest rate on a mortgage with the same lender? For scripts and resources go to WealthFactory.com/Interest.

Restructure: When was the last time you refinanced your loans? Can you pay off higher interest rate, higher payment loans with more efficient loans like your mortgage or car loans? In most cases this works with a lower overall interest rate, but other times bringing multiple loans into one may actually have similar or slightly higher interest, but can still make sense to do for creating better cash flow, flexibility and depending on the other opportunities you have with your money.

Wendell Long is a perfect case study to illustrate another aspect of this methodology. A way to combine restructure and reallocation can be in selling assets that have loans against them.

Initially, Wendell had a rental real estate that was creating negative cash flow. Raising rents wouldn't be enough because it was a log home in the south and maintenance costs are substantial. The first step was to sell the property and capture the \$80,000 in equity. By selling the property he stopped the hemorrhaging plus took the 80,000 of profit and paid off other low Cash Flow Index loans, netting him about a \$1,400 a month of improvement.

Savings is one key aspect, but adding cash flow with existing assets is key. He also had a home that was only netting about \$840 a month before management fees, vacancies and repairs. After a comprehensive Airbnb analysis (similar to the Brian Page strategy) he found an extra \$939 to \$1,680 a month depending on vacancy numbers.

4-Step Mindful Cash Management Strategy For Paying Off Loans

Once you understand the Cash Flow Index, use the following steps to pay off your loans

1. Build Savings First: It's risky to put extra money into paying down a loan if you don't have any savings. First build at least three months (ideally six or more) of expenses in a liquid savings account.

Without the proper savings, it might take you month, even years to pay down your loans. Then what happens when you experience an unexpected cash flow crunch? We are all in store for financial surprises, but liquidity can be one of your greatest allies when facing these issues. Without savings, you'll have to rack up more credit card debt again. Even worse, you could miss payments and hurt your credit score, slowing down the process of getting better interest rates, insurance rates or access to money.

Three months' expenses set aside in liquid savings is just the beginning. We want you to work towards six months, and ideally a few years when you employ the full Cash Flow Banking strategy, coming up in a future chapter.

2. Utilize the 3R methodology to restructure your loans, reallocate your funds, and renegotiate your interest rates: It often makes sense to roll short-term, high-interest loans into long-term, low-interest, tax-deductible loans. This minimizes your payments and maximizes your cash flow.

For example, suppose you have equity in your home. You may even have a paid-off vehicle. Instead of keeping a balance on several credit cards, you could restructure into a mortgage. This would bring non tax-deductible interest into a tax-deductible loan, in order to reduce your taxes. This would lower your total monthly loan payments

and reduce your interest. The tax deduction will also increase your cash flow.

Also, you may have non-performing or underperforming assets. Cash them in and reallocate those funds to pay off higher interest rate loans. Finally, you may be able to renegotiate the interest rate on your loans.

3. Pay down one loan at a time using the Cash Flow Index: After minimizing your payments and maximizing your cash flow, next focus on one loan at a time until you eliminate the loans you no longer want. Again, calculate the Cash Flow Index for all your loans. Then prioritize them in order of lowest to highest Cash Flow Index.

Don't pay extra on several loans at a time. Instead, work on paying off just one at a time. The faster you pay off your least efficient loan, the more money you'll have to pay down subsequent loans.

NOTE: Do not borrow to consume. As you pay off your loans, be sure to have the automated infrastructure to capture the additional cash flow in a Wealth Capture Account.

4. Be cautious about locking up money in an asset: A lot of people make extra payments on their mortgage in order to pay off the loan faster. It's understandable, especially when we see how much money we're paying in interest over time. This may make sense when we're financially stable. The challenge, however, is that it puts us at risk by locking our money into equity, which is hard to access. Seeing your mortgage balance go down may feel satisfying. But it's not that satisfying when you have a cash flow crunch and you can't access your home equity.

Our suggestion is to only put extra money into loans where your minimum payment goes down as your balance goes down, such as with a credit card. Otherwise, your Cash Flow Index gets worse with

every payment. It doesn't give you immediate benefit, and it increases your risk by reducing your liquidity.

Instead of paying down a mortgage or other similar loan, save the money you would have paid on the loan balance in a separate account. Let it build and earn interest until you have enough money to pay off the loan. This way, you have access to that cash while you're working on paying off the loan, which is a much safer position.

This Cash Flow Optimization process worked with Steffany Mohan, being able to realize a total of \$600,000 in additional spendable cash over the next 30 years. “We restructured our mortgage and were able to pay off less efficient loans and even save and invest instead of paying down a very inexpensive loan, it created a ton of cash flow we could use for the business or invest. Everybody wants their money to work for them. That's just smart.” When we met Steffany, we knew she already knew a lot about financial planning. But one of the values we bring is that we create a language for people of things that they have already thought about intuitively, so that it makes sense for them to apply them to their financial life.

Her life is prosperous beyond financials, because she has the freedom to enjoy her family, and to live a life that she wants to live.

“Wealth Factory helped me to come up with a plan to pay off all my debts which will give me an amazing saving of \$20,000 that I would have paid otherwise in interests.”

– Dr. Serge Gregoire, Ph.D, CCH

CHAPTER SIX

Wealth Architecture

“If you don’t know where you are going, any road will get you there.”

- Lewis Carroll

Most of retirement planning comes down to salespeople selling products in order to earn a living through making a commission. These financial products typically require that you relinquish control and wait for decades before a potential payoff. Essentially feeding the playing not to lose or playing to win mentality.

There is another option: Wealth Architecture.

Wealth Architecture is the map that connects your financial past, present and future. It starts with you and your preferences in mind and brings the word “personal” back into personal finance. It clearly defines your financial outcomes based on your vision. Once you have that clarity, you can wisely choose the professionals and products you need to accomplish your goals. You define your win, create focus through purpose, and build the plan to support that win.

The five Ps of Wealth Architecture lead you to sustainable and lasting wealth:

1. Perspective
2. Purpose

-
- 3. Plan
 - 4. Professionals
 - 5. Products



When it comes to building wealth, most people start by buying products from professionals before creating a plan. But products are simply vehicles you use to get to specific destinations. And how can you choose any of them without understanding where you're going?

Are you operating from a scarcity mindset, or an abundance mindset? What is your purpose? How do you define success? What are you really striving for? Are you running faster and working harder without understanding why, or what it is ultimately leading to? Are you sacrificing now at the cost of your health, friends, recreation, and rejuvenation—all in the name of a “someday” lifestyle? When does it change? When will you actually start enjoying your wealth and your life?

How much money is enough for you to enjoy your life? What is a victory for you? Is it a moving target? You know how important it is to invest in your business. But are you also investing in your health, relationships, and quality of life?

Your Wealth Architecture ensures that nothing is done out of order in your wealth creation process. The clearer you are up front about your ultimate destination, the easier it is to get there, as well as to save time and avoid missteps.

Clarify Your Perspective

Perspective is the first and most important pillar of Wealth Architecture. No matter how hard you work, how lucky you are, or who you know, if scarcity is your dominant paradigm, you can't win the money game. If you live in scarcity, then no amount of money will ever be enough for you. Remember: Hard work + bad financial philosophy = financial limitation/destruction.

Do you view the world in scarcity or abundance? What is your relationship to money? What are your limiting beliefs holding you back?

Like we all do, you have subconscious beliefs about money. These are not usually your conscious thoughts. They are your childhood programming working in the background, influencing all your money decisions. For example, you may believe money is evil, or that wealthy people are arrogant. If these or other limiting beliefs determine your perspective on money, how can you expect to build wealth? It's like having one foot on the gas and one foot on the brake.

What does the term "financial freedom" mean to you? How do you know when you've reached it? We've been told that we're financially free once we've accumulated a certain amount of money.

But financial freedom is not a state of having, it's a state of being. No amount of money you have in a retirement account is going to provide financial freedom. If you're trapped in scarcity, you're never going to feel financially free.

When you create your plan from a place of abundance, there is possibility. This vision can be beyond your current financial state and compel you to higher levels of impact, enjoyment and value.

Define Your Purpose

Purpose is the second pillar of Wealth Architecture. Once you've cultivated an abundance mindset where you create value with fewer limitations, concerns, or obstacles, purpose will bring greater focus to your life. You focus your efforts on the projects you care deeply about and align with your Soul Purpose. You focus your investments on what you know and for which you have ability and passion.

A perspective of abundance creates opportunity. Purpose refines and creates focus with that opportunity. If you have an abundant mindset but not a clear purpose, it's easy to become distracted by unwise opportunities, or fooled by ignorance. Purpose exposes false abundance, or what we would call ignorance. Ignorance is the counterfeit of abundance. Just because an investment comes to you doesn't mean that it's the right investment for you.

Purpose saves you time by showing you which potential opportunities are a match and which ones to pass on. Seasoned investors have no problem staying in cash and moving to cash because they invest in what they know. They have indicators that nudge them to get out of the market or investments. **Rookie investors are always invested.**

Investing is about preserving and growing your money. It's not about risking the bulk of your money. More people would have more

money simply by putting it under their mattresses than they would in making most investments. That's because the majority of people don't invest enough in their financial knowledge or their financial team to protect themselves and to truly invest with purpose. They're gambling with their money, but they call it investing.

Create Your Plan

The third pillar in your Wealth Architecture is to create a plan for economic independence. This is different from what people call financial freedom. To reiterate, economic independence is a state of having enough recurring income/cash flow from business and/or investment income to cover all your personal expenses. This gives you more choice and options.

Creating a plan is key as you secure your foundation, establish sustainability, and focus instead of diversifying. The plan gives you the power to avoid distractions and the ability to say no to things that are not the proper fit. This is critical to avoid speculation, especially before you are economically independent. Loss can create extra years on the path to economic independence. Distractions can be destructive and slow down the path where you have permission to invest any active dollar you earn because your assets produce enough to cover your basic expenses.

Once you are economically independent you can consider legacy, swing for

"The difference between successful people and really successful people is that really successful people say no to almost everything."

– Warren Buffett

the fences in your business pursuits and take even more time for adventure and fun because you don't have to work, it is a choice.

A plan helps you reflect on these types of questions: What's missing? What's not working? Where do I have blind spots? How will you create economic independence?

Having a plan is essential to knowing what to say no to and focusing on what matters most.

To begin creating your plan, download our financial strength checklist at WealthFactory.com/Strength.

Choose The Best Professionals

Professionals are the fourth pillar of your Wealth Architecture. It's not enough to work with individual professionals. First, knowing exactly which professionals are required is key. Secondly, the best results are achieved when all your professionals are working together as a team and communicating with each other to properly support you. The game is often won when the team is picked.

You may have a do-it-yourself mindset and would rather save the money. And it's hard to find the time or even know whom to trust. Or you just might not know where to start.

It's unlikely that all your financial professionals, i.e. accountants, attorneys, investment advisors and insurance experts, are on the same page. When I started out in financial services, I wanted to set up a corporation to protect myself from liability. One accountant suggested forming an S Corporation. My attorney said I should do an LLC (or limited liability corporation). But the accountant, who had wanted the S Corporation, filed taxes before there was an S election made to the LLC, and that caused all sorts of confusion for the IRS.

It's essential to find professionals who subscribe to the same philosophy of wealth and wealth creation. It's also critical to find professionals who have the depth of knowledge in their area of expertise and are willing to collaborate.

You must have a comprehensive, coordinated, and communicating team of experts to ensure successful implementation of your financial blueprint. The members of your professional team must talk to each other. If they're not talking to each other, you could easily be leaking money and have unnecessary risk.

It's an abdication of responsibility to blindly hand over your money to professionals and hope they get it right. I also understand you may not have a lot of time to manage your money on a daily basis. This is why you can save time when you utilize a financial team to give you concise, tailored, timely information. But you cannot delegate your legacy and financial choices. You must remain in charge, but can utilize support to save you time. You also don't have to know all there is to know about finance. Through discovering your Investor DNA and building the right foundation, you can eliminate learning about investments that do not apply.

The Rockefeller family built an office of financial professionals just to serve them. The term "family office" was coined from this structure. This gave them a strategic advantage to have everyone working from the same philosophy, communicating with one another and doing true due diligence. In today's world it doesn't require having one firm work for a family to benefit from this same concept. Wealth Factory has created a virtual family office of professionals that can work anywhere in the United States.

WealthFactory.com/Private

Business owners know that having an A team is a massive competitive advantage. What about taking business wealth to personal wealth? The same rules apply. The right people make a difference.

Invest In The Right Products

The fifth pillar is choosing the right products. Do not select any products until you have addressed the first four “P’s” we just outlined. This is one of the most important pieces of advice for sustainable wealth, for not losing money, and for peace of mind.

This format – plus a team of people who help you – is important for due diligence. People generally make financial decisions emotionally. This is why it’s so important to manage those emotions with a team of specialists who can help you see the bigger picture. Although trust is a huge part of investing, it cannot be the whole reason for selecting a product. It’s a dangerous mindset (and a losing proposition) to say, “I trust so and so, they are smart.” Beyond trust, there has to be economics. There must be a selection process.

Another important step with product selection is to have a due diligence team review all your potential investments. They can review opportunities and point out potential blindspots and pitfalls.

There is no magic product in finance, just as in health there is no single magical pill that brings forth the fountain of youth. You are your greatest asset. Not a stock, bond or piece of real estate. How do you invest in yourself? Which products make sense inside of your plan? Are you investing or gambling?

Use products, but make sure they get you where you want to go.

CHAPTER SEVEN

Become a Better Investor

“When in doubt, check if your actions are aligned with your purpose.”

- Azim Jamal & Brian Tracy

With the expansive possibilities of abundance come potential distractions. In order to protect your time and maximize results, we created a tool called the “Investor DNA Decoder.” By employing and being empowered with your Investor DNA, you will know when to say no, therefore protecting your time and money.

For the deepest insights supporting your Investor DNA, we focus on your Soul Purpose: the values, abilities, and passions combined for the highest context or outcomes of your life. Investor DNA is how you invest outside of yourself in the products, companies, and opportunities other than your own business or education.

SOUL PURPOSE: Who you are when you are at your best. Your unique set of abilities, passions and values combined for the mission that you were born for.

Investing in yourself may give you new insight with your Soul Purpose, leading to developing skills, creating advantages, and increasing your means. Investor DNA gives you insights into the best places to invest for you. We call this overriding philosophy “Strengthsvesting.” With Strengthsvesting, you only invest in yourself or in investments that make sense to you based upon what you know and value. Elements of your Soul Purpose are recognized and multiplied in the areas where you have passion, experience, and ability.

Even better, using StrengthsVesting does not require having money to invest. Let’s take Dan Peskorse, as an example.

He acquired ThinkFit (ThinkFitLiveFit.com) a consumer package goods company around healthy lifestyles emphasizing nutrition and fitness.

He actually funded this through a combination of three things: SBA Loan which covered 80%, a 10% seller note (they carry back a percentage for you to pay off monthly), and 10% down payment from his own funds. You may have retirement plan funds you could use or amending tax returns where you could find this capital.

With these funds he covered the price of the business, inventory, closing costs and had extra working capital.

One of the greatest things, it cash flowed on day one. Dan made money on the buy through buying a healthy business that he could use his Investor DNA to grow. Now he is reinvesting the cash flow from the business to pay down loans and another portion to grow the top line. His past experience (Mental Capital) provided the right conditions for him to succeed. He had worked

successfully in business development with technology and an advertising and media emphasis. This is aligned with his Investor DNA - Competency. He had a consumer goods company he exited from before, therefore he had the skillset to take this to the next level. He shortened the learning curve by keeping it aligned with his Investor DNA and in the last 90 days he has grown the business 20% already.

Dan has implemented Mindful Cash Management strategies by focusing on creating efficiencies, keeping more of what he makes.

The key to Investor DNA is leveraging competencies and using focus instead of diversification- stick with what you know and grow it. Economic independence creates flexibility and options and gives the ability to weather downturns. Those options include the ability to sell if and when you want while being picky, or continue to cash flow, or use the cash flow to acquire other investments.

Investor DNA

The Investor DNA Decoder helps you refine your values, competencies, and drivers (which I explain below) to become a better investor. Our due diligence tools give you power to make more informed choices so you stay aligned with your Investor DNA. And they help you analyze past and present investments for more insight into the following:

- What kind of investor are you?
- Do your investments support you in creating more cash flow today?
- Do you know what investments to avoid or to never pay attention to?

How Do You Choose Investments?

How do you go about choosing the right investments for you? Consider the following three investments, each from totally different industries:

Company	Product	Annual Revenues	Profit	3-Year Return on Investment
Pets-R-Us, Inc.	Pet Supplies	\$4 million	\$500,000	48%
Wake Up, Inc.	Energy Drink	\$2.5 million	\$350,000	56%
All Natural, Inc.	Organic Food	\$2 million	\$175,000	40%

Which is the best investment? If you're only considering the numbers, the energy drink company would be the best investment. But in reality, there can be other factors that are more important than numbers alone.

When you base your investment decisions on numbers only, you set yourself up for a lot of stress, anxiety, risk and frustration. When you get outside of what you know and understand, what's important to you, what brings you joy, and where you can contribute value, what your core purpose is, then you remove money and financial decisions from its most important foundations. You make decisions based solely on what seems to make you the most money. But it may increase your risk if it isn't aligned with your knowledge, ability, or values.

In the example above, what if health and nutrition is a major part of your knowledge and purpose? From a financial standpoint, would it make sense to invest in pet supplies if you know nothing about them or the industry? From a values standpoint, would it really make sense for you to invest in a sugary energy drink over an organic food company simply because it makes you more money? Of course not.

Investing is about so much more than projections on a piece of paper. It's about values, competencies, focus, personal drivers, purpose. At the highest level, it's about happiness. It's about your unique contribution and legacy. It's about making a difference through value creation. Most importantly, it's about your peace of mind.

This is why it's critical to understand your Investor DNA. What makes you tick? What's important to you? What would you love to be involved with, and what would be boring or unfulfilling to you? What aligns with your values, and what violates your values?

When you make investment decisions from this more holistic place, then you become more congruent within yourself, and subsequently enjoy the process much more. You make better, wiser decisions and through focus create a depth of knowledge. And as a result, you end up making more money by sticking with what you know. This is key to sustainable wealth, rather than allowing hype or greed to dictate short-term decisions based solely on emotion.

Risk Is In The Investor, Not The Investment

Your Investor DNA is a combination of your values, competencies, and drivers. Any investment that doesn't align with your Investor DNA is not a good investment for you.

Risk is in the investor, not the investment. There are some inherently risky investments, like Ponzi schemes or the lottery. But no legitimate investments are inherently risky; it is people who make them safe or risky. It is people who make investments productive or not.

Any investment may be either risky or secure depending upon the investor. What is risky to one person could be the safest investment in the world to another. Is real estate risky? Is it risky to quit your job to start a business? Are blue chip stocks risky? How about mutual funds? Small company stocks? Hard money lending?

The real question is, “Risky for whom?” The answer is always that it depends on the investor, and not on the investment in and of itself. Any of those could be risky to some people, but wise and safe for others. If you know nothing about the process, then it’s risky for *you*.

I have friends who have done very well in real estate, and others who have lost big with real estate. The difference is that those who do well have more knowledge, they write better contracts, they know how to manage the properties, have better exit strategies, and they manage their risk with due diligence. Furthermore, those who I’ve seen thrive with real estate love it. It’s in their Soul Purpose.

For example, let’s examine Bob Snyder. He believes in buying real estate you make money when you buy, but receive the money when you sell. It is all about finding individuals that are looking to trade equity for peace of mind. He doesn’t look for a distressed property, but a seller in distress. The key is to find someone that might be facing challenges like foreclosure or a looming deadline. Look for those that are motivated. The key is to build Relationship Capital. Bob does this by educating them on all their options. One of those options is him being the buyer. The key is to be a value creator that offers solutions.

“I am there to serve, not just receive. There are times I give them solutions that don’t actually lead to them selling the property to me. There was even a time when a friend made an introduction to someone that was paying their mortgage on time, but feeling stressed to make the payment. I did a “subject to” transaction and got the property with zero out of pocket outlay, and in less than a year was able to profit 63,000 dollars. I live and die by the concept of building Relationship Capital.”

Bob learned how to connect with people, network, and add value. These type of real estate transactions are at the core of his Investor DNA. Experience, study, and daily interaction gives him a unique advantage in this world.

On the other hand, I once invested in a hard money lending fund because others were making money doing it. I got greedy. But ultimately, it wasn't aligned with my Investor DNA. Trying to monetize everything becomes problematic. It can create distractions and lose momentum on core offerings. **Multiple streams of income can be multiple streams of distraction.**

When you're clear on your Investor DNA, you can focus on the wisest, safest, and best investments for you.

One of the most difficult pieces of becoming a better investor is the ability to say no. When your friends, family, and social media start to experience gains in some hot industry, trend, or cryptocurrency, how do you stick to your plan and avoid greed getting the best of you? During the meteoric rise of Bitcoin, I was having nightly dreams about it. It seemed to be part of every event I spoke at or article that was sent to me. It was infiltrating my life and thoughts, engaging my greed gland at the highest level. Saying no became increasingly hard, until the market corrected and came back down. Realizing it wasn't part of my Investor DNA, mission, and knowing there was plenty I didn't know was the key in staying the course.

My controller even called me out when I almost invested the first time. She asked me, "What do you know about this anyway?" Knowing that if I couldn't explain it simply in a paragraph or less, I was definitely speculating. I missed out on growth temporarily, but stayed focus on thought leadership, content creation, and the things that move the needle for me not only in money, but with my model and mission.

Investor DNA Worksheet

The following process supports you in getting clear on your “Investor DNA.” Complete the worksheet in detail, and write down your personal Investor DNA statement at the end.

The concept of Investor DNA is understanding who you are as a person first, and then using that knowledge about yourself as a basis for determining which investments are a good fit for you, your family, and your business.

The core components of Investor DNA include:

Core Values: These are the things you deem to be important and esteem highly. They create a foundation for making decisions.

**Go to WealthFactory.com/
DNA to download the Investor
DNA worksheet.**

Core Competencies: These are your strengths, experiences, and areas in life where you can create high levels of value. Each person has abilities in varying degree, so identifying where you are at your absolute best is a first step in creating clarity around where your Investor DNA is strongest.

Core Drivers: Those things that motivate and energize you. They are essentially the “gas in the tank” that help fuel you on a daily basis. Think about what energizes you and when you feel at your best.

Core Focus: These are the areas of life you give the highest degree of attention. In the world of investing, we are each told to diversify, but by definition, diversification is the opposite of focus and will pull you away from those things that are most important to you.

The best investments for you are those that align in three core components of your investment DNA.

1. Identify Your Core Values: Circle the values in the list below that resonate with you most or add any values you identify with that are not on the list below.

Accomplishment	Discipline	Mastery
Abundance	Dreaming	Mindfulness
Accountability	Empathy	Optimism
Adaptability	Expertise	Progress
Appreciation	Fortitude	Patience
Bravery	Freedom	Relaxation
Candor	Gratitude	Self-respect
Certainty	Growth	Service
Community	Harmony	Structure
Completion	Honesty	Timeliness
Continuity	Humor	Truth
Courage	Intuition	Vision
Decisiveness	Integrity	
Dependability	Learning	

Now narrow down the values above to the five most important values and then prioritize them 1 through 5 (from most important to least important).

1. _____
2. _____
3. _____
4. _____
5. _____

Next, you will begin to outline your Investor DNA statement (part 1 of 4). Capture your greatest value by completing the following:

I am a person of... _____

2. Get Clear on Your Core Competencies

- What activities create the most energy for you?
- What are you most complimented on?
- What talents do you get paid for?
- In what activities have you excelled in during the past?

Now categorize each of those competencies into Good, Better or Absolute Best.

Good	Better	Best

Your competencies identify the actions you can engage to make the biggest impact. This is part 2 of 4 of your Investor DNA statement. Capture your greatest competencies by filling in the following:

I live my purpose by sharing... _____

3. Identify Your Core Drivers

List out areas of your life, activities, or situations that make you feel the most alive and excited:

I am happiest when... _____

I am most creative when... _____

I am most excited about... _____

What hobbies can cross over to produce income? Are there any areas you are making money and not currently aligned with what drives you? If so, what are they?

Next, list your drivers below and ask yourself why they energize you. What about them is exciting or why do you think they motivate you?

Drivers: _____

Why it energizes you: _____

Add these to your Investor DNA statement below. This is part 3 of 4 of your Investor DNA statement.

I am a person of... _____

Determine Your Core Focus

Answer the following questions to hone in and focus on what is most important to you.

- If you could only do three things, what would they be?
- Where have you been pulled away from what is most important in your life because you've been distracted?
- What do you say yes to, but should say no to?
- What happens to your focus when you are not fully committed and/or distracted? What distracts you?
- Do you have any investments that drain your energy?
- Are you invested in any area not aligned with your values, drivers or competencies?
- What investments do you want to focus on?

Add these to your Investor DNA statement below. This is part 4 of 4 of your Investor DNA statement.

I stand for... _____

Investor DNA Profile

In the matrix below, you will be able to further identify if an investment is something to be considered or avoided. Mark all boxes that apply.

For example, before investing in anything, ask yourself if it is aligned with your knowledge, passion, purpose, and overall plan. If you feel it is completely incongruent or you have no knowledge about this type of investment, simply move on knowing this is not an investment that is right for you. Or if it is something that you have unique knowledge about, study on a regular basis, and have a great understanding of how it might work, you can mark that it is aligned and to what degree you feel that way. This is the first stage of doing proper due diligence and saving yourself from spending time on something that doesn't fit your Investor DNA profile.

Investment	Fully Aligned	Mostly Aligned	Somewhat Aligned	Incongruent	Unknown
Stocks					
Bonds					
Real Estate					
Commodities					
Your Business					
Other Business					
Tax Liens					
Renting Out Stock Shares					
Cash Flow Insurance					
Options					
Other					
Other					

Quality Of Life Questions

Answer the following questions to get further clarity on your Investor DNA:

- What is it about money that is important to you?
- What are the best uses of money for you?
- What makes you happiest in life, and when/how do you spend money aligned with those activities?
- Do you have any investments that drain your energy?

Investor DNA Statement: _____

I am a person of... _____

I live my purpose by... _____

I stand for... _____

Use The Investor Scorecard To Analyze Investments And Enhance Due Diligence

The Investor Scorecard can be used to evaluate the risk that comes with any investment, given the financial and personal circumstances of the investor. To use this tool, think of one investment in particular at a time.

Below you will find ten questions, which you will assign a value between 0 and 5 based on how well you feel you understand the

investment. These questions are used to create a final score for any investment you run through this tool.

A perfect score of 50 indicates that you have a well-established understanding of an investment's value proposition, and are able to mitigate your risk in this investment.

1. To what degree is the investment in line with my personal values?

Rate how closely aligned an investment is on a scale of 0-5, with 5 being something that is very much in line with your values and that you are passionate about.

0 = Entirely against your personal values

5 = Total alignment with your passionately held beliefs

Score: _____

2. Does the value created benefit only a few individuals or many?

The fewer the people, the less impact. Ideally, a good investment will have a positive impact on many people, not just a handful of individuals. The more people who benefit from the value created, the more likely there is to be a healthy return.

0 = Few people 5 = Many people

Score: _____

3. To what degree does it utilize my Human Life Value?

Ideally, an investment will utilize your Human Life Value which might be your time, your expertise, or any of your abilities. When you can utilize your Human Life Value, your risk is lowered. The higher the score, the better the situation. The lower

the score, the less influence you have over the outcome. This is where people get into more of a gambling philosophy around their investments.

0 = Very little Human Life Value opportunity available to you

5 = Much opportunity to offer value with your expertise, time, and/or knowledge

Score: _____

4. To what level am I able to understand the unique value provided?

Do you know why this is impactful in the marketplace? Why people would benefit or be willing to buy? Have you considered competitors or sustainability? Does your Investor DNA lend to the ability to understand why this would increase in value over time?

0 = No understanding

5 = Complete understanding

Score: _____

5. To what degree could I recover or recreate the lost principle in the event that the investment starts to decline?

A lot of people start to panic when investments decline, or they'll move to something else after it's a little bit too late. They have no ability to recoup losses. Do you know how to protect yourself? If you have expertise in a particular industry or investment and know how to invest effectively around that arena, then chances are you'll be more successful at recovering or recreating lost principle.

0 = Little to no chance of recovery 5 = Full recovery

Score: _____

6. What's my exit strategy for the investment?

This is a question that most people rarely ask when they invest. They're more worried about how to get into the game, than how to get out later. But when you come into an investment opportunity, you should be looking to cover yourself on both sides. For example, it's pretty easy to get into a 401(k) plan. But it's not easy to get out.

Ask yourself: "What is my entrance?" AND "What is my exit?" Also, how secure is the exit strategy you have planned for the investment? Will it be difficult to withdraw or utilize?

0 = no plan for exit strategy or very difficult to withdraw and utilize
5 = you deeply understand how to withdraw and utilize investment proceeds

Score: _____

7. To what degree does the investment provide an opportunity for immediate cash flow?

Some people defer cash rewards for years and years, and may never even see a profit, as is often the case with 401(k)s. Cash flow is usually a better indicator of how successful an investment is. When you have cash flow come in today, you're able to use that money to fund your Soul Purpose, rather than just letting it sit idly accumulating (or losing value) over time.

0 = no cash flow now

5 = Steady incoming cash flow now

Score: _____

8. How much control do you have over any of the characteristics generating the return from the investments?

Investment returns are only as valuable as the ability of those involved with the investment to produce them. If you don't have a clue how an investment worked in the first place, then what do you think the chances are of being able to reproduce the same results if the market changes?

If you have no impact upon the characteristics of the investment, and how those returns can be manipulated and recreated, you probably don't have a right to be playing in it, or at least you're not going to score really high on this question.

0 = Little to no control or input on investment return 5 = Maximum control over investment return

Score: _____

9. To what degree is the investment secured with liquid collateral?

Liquid collateral means something you could actually sell and exchange for some form of cash. If it's backed, that's an additional layer of security.

0 = Little to no collateral backing the investment
5 = Investment fully backed with collateral that can be accessed in a timely manner

Score: _____

10. To what degree is the investment dependent upon the continuation of current market conditions?

You can take opportunities that come up within current market conditions, and do really well with them. But you have to realistically analyze what the current market trends are, and how dependent your

investment return is upon this current trend. If this trend discontinues, how will this affect my investment?

(Note: In some cases, you could be completely dependent upon current market conditions continuing, and still have a perfectly executable exit strategy. But there's still a risk because no one can predict exactly when a market will change or shift.)

0 = Totally dependent on the continuation of current market conditions 5 = Not affected by changes in market conditions

Score: _____

TOTAL SCORE: _____

Understanding and staying congruent with your Investor DNA is how you reduce your risk and create maximum value with your investments. Don't diversify, focus. Find those things completely aligned with your core values and competencies and then remove all other things; they are a distraction.

For more forms and information about your score go to Wealth-Factory.com/Scorecard.

Becoming a better investor is key to Mindful Cash Management. You will recapture lost time wasted on investing in the wrong things, listening to the wrong ideas or simply worrying when you invest in things you don't know. Keeping more of your money along the way by having a system to protect your money, improve your decision making, and avoiding distractions will add money to the bottom-line and enjoyment to your life.

CHAPTER EIGHT

Accelerate Investment Income

“Never take your eyes off the cash flow because it’s the lifeblood of business.” - Sir Richard Branson

If I told you I would give you either \$100,000 in a lump sum, or \$1,000 per month for twenty years, which would you choose?

Granted, your answer may depend on what you plan on doing with the \$100,000. Maybe you can invest it and get a better return than \$1,000 per month. But given that choice, I take the cash flow any day.

Anyone can save and accumulate net worth. But once you've built net worth, how do you access and utilize it without spending it down? What matters isn't how much money you save. Rather, it's how much cash flow your assets produce. Cash flow, not net worth, is the better measure of wealth.

One of the best ways to protect your net worth is to create plenty of cash flow so you won't have to liquidate any of your net worth to pay the bills in economic downturn or turmoil.

Strategically engineering your wealth is enhanced through accelerating your investment income by focusing on cash flow investing. By converting your accumulation assets to cash flow as quickly, safely, and sustainably as possible, you can achieve economic independence sooner.

Accumulation Serves the Financial Industry, Not You

Retirement planners often advise clients to cut expenses and diversify in the stock market, while placing money into long-term qualified plans like 401(k)s and IRAs. They sell retirement plans based on average historical annual returns of 8-10%.

Financial professionals teach accumulation philosophy. The goal is to build up enough savings to retire and live on. Financial professionals are paid to manage your money for possible future growth.

If you bet on future growth, let's say a thirty-year plan, you take on substantial risk for that growth. It is increasingly difficult to course correct as you age. But by focusing on the cash flow, you can adjust along the way.

Retirement planners don't get paid to help you optimize your current cash flow. They don't get paid when you invest in your education, or start a business aligned with your values. The process is not about investing in you because they typically get paid by selling you a product in exchange for a commission or taking a fee on your portfolio.

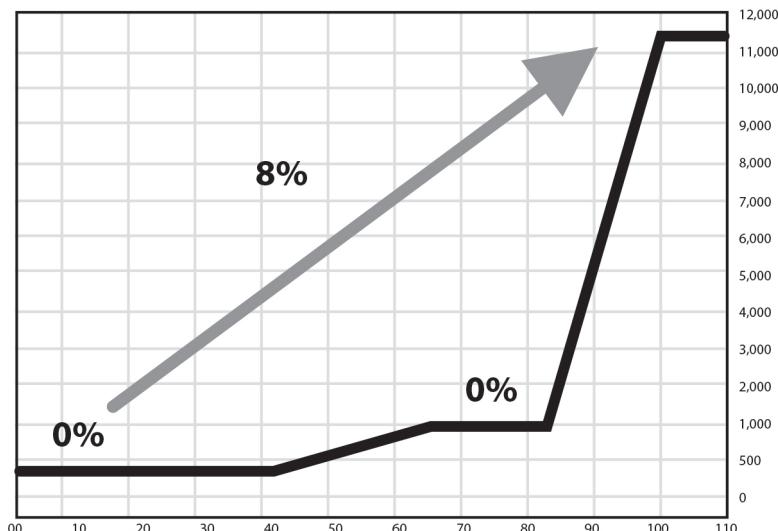
They aren't trained to distinguish between different types of expenses. They can't get paid to have you add money to most your productive expenses. All expenses affect these planners equally: The more expenses you have, the less money they get to manage. This system means less profit for them.

These same people are trained by the financial industry to cover their bases by warning clients that "past performance is not a guarantee of future results." And they're right. You have absolutely no guarantee on how the market will perform. An average annual return of 8-10% is a fairytale.

When you concentrate on cash flow, any time the cash flow shrinks, you immediately know there's a problem. You can take immediate action to address the problem.

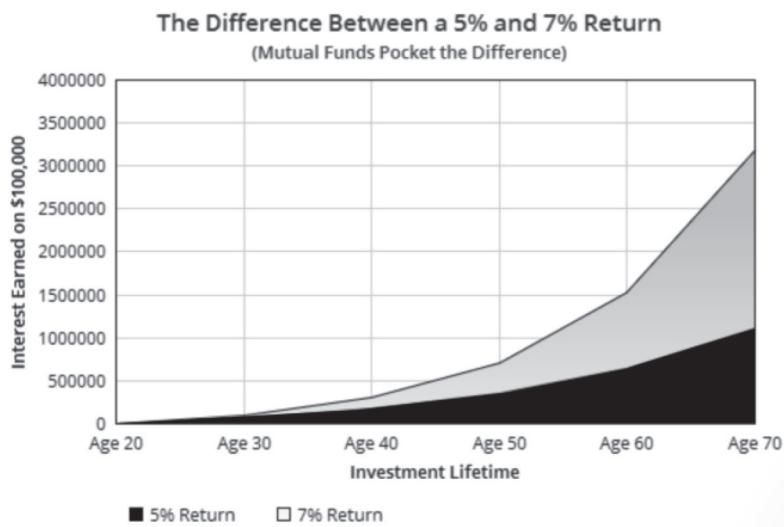
In contrast, if the value of your 401(k) or IRA took a dive, your retirement planner would tell you, "Don't worry. It's fine, because you're in it for the long haul." You'll find out in thirty years if he or she is right. But who can wait that long for a chance at prosperity?

As this illustration shows, if you invested in the stock market from 1900-1940, your actual rate of return would be zero. The same can be said from 1965-1990, an entire earning lifetime for many people.



Unfortunately, for retirement planners, "investing" and "stocks" are basically synonymous. Many people don't even realize the variety of investment options they have — financial and otherwise. They ask for stocks instead of looking for investments they can use to create value.

Between 2000 and 2015, the market rose just 8.4% altogether, adjusted for inflation. It rose just 0.56% a year, and took fifteen years to climb 8.4%. At that rate, in thirty years, \$100,000 would earn just \$16,140. Still, people continue to believe that they'll retire as millionaires using that stock-market formula, since retirement planners continue to hint at an average 8% return every single year.



This sort of an investment strategy is a disastrous approach, especially for entrepreneurs. We've worked one-on-one with countless entrepreneurs and business owners, and we can confidently say that until they began to work with us, over 90% of them didn't have the financial viability to retire at age 65. Even if they were to sell their businesses, they still wouldn't have had the money necessary to create a stream of income large enough to cover their expenses without working.

Accumulation is the key to keeping people in a budgetary mindset and isn't the best way to grow wealth. It's slow, risky, and

it doesn't work in the long run. An accumulation mindset means you set aside money and hope it will increase over time through compound interest.

But business capital is productive, not stagnant—as is most of the wealth created by individuals. You can see the fallacy of accumulation when you understand what financial institutions do with money. They do precisely what financial analysts say is too risky or too complicated for individuals to do. People are told to invest regularly, as much as they can afford to; to never touch what they've put away before retirement; to expect single-digit or at best 10% rates of return, and to understand that any investment that might give them higher returns is likely to put their principal at risk.

But banks don't view a 10% annual return as good, safe or sustainable. Banks operate under the completely different set of rules than do most individuals, and they rely on that to stay profitable. While individuals are busy accumulating and hoarding money, banks are utilizing the money we give them in far more productive and profitable ways. While individuals are hoping for a 10% annual return, banks mitigate their risk and guarantee themselves healthy double or triple-digit returns.

It would be like you buying a hammer for \$3, and selling it for \$6 at a yard sale. You just made a 100% rate of return. Banks do this daily by paying us 2% on the money we lend them, and then lending it out at 4%. So, while budgeters are taught that it's wise to lock up money for thirty years or more, banks keep their money liquid and in constant motion.

They have their sights set on cash flow.

You can be like a bank and concentrate on cash flow.

Cash Flow Is The Way To Go

Cash flow is money that comes in on a consistent basis—the combination of all your sources of income. Cash flow is created by building businesses, or investing in tangible and intangible assets, such as real estate or intellectual property, that produce ongoing income. The more you can create a cash flow with your assets, the faster you can achieve economic independence.

Most retirement planning consists of recommendations that you put money into products, such as stocks and mutual funds, that don't produce any consistent cash flow. With those types of products, you're just hoping they'll go up in value. It is speculation at best. Then, if your products do go up in value, all you can do is sell them for cash.

If you want economic independence, it requires that you convert your net worth into cash flow. Stop taking unnecessary risk by allocating your funds into vehicles that don't produce cash flow for decades and instead focus your efforts on assets that can produce cash flow.

Most people diversify because they skip building a solid foundation and immediately start investing in that far-away retirement plan. But if you have economic independence, then all your income can go to building assets and boosting cash flow. When you have your foundation handled, diversification isn't even necessary. So, if you have more money than you know what to do with it, diversification may be a great idea. If you are trying to build wealth, diversification is more likely di“worse”ification. Spreading yourself thin by getting involved in more than you can know or control therefore slowing down growth.

Most of the population is trying to save 10% of their income. They are then taught to put that money in the market and hope to

earn 10%. Earning 10% on 10% is not only unlikely, even if it were to happen, it is a slower track.

When you are economically independent, 100% of your active income can be reinvested – no need to budget. In a world talking about 10 times growth, this is a practical model of how to do it. You have already won through economic independence, now you have the chance for exponential growth knowing your foundation is set.

For example, to create more cash flow, fast-track your business or invest in a new productive expense to create more value and cash flow, rather than tying up all of your money in retirement products.

Our objective is for you to turn your stagnant resources into production and profits through cash flow. This is why we sometimes even recommend that people temporarily stop contributions to their IRAs or 401(k)s, so they can use that cash flow to grow their business, to pay off inefficient loans, or to provide necessary liquidity and savings.

“Entrepreneurs believe that profit is what matters most in a new enterprise. But profit is secondary. Cash flow matters most.” - Peter Drucker

The Most Important Financial Indicator

The budgeting mentality has convinced many people to focus on building net worth, to grow equity, and to increase asset value. Net worth is a common measuring stick that allows us to compare ourselves to other people who are our same age, income, and education level.

Unfortunately, using net worth as a gauge to determine our real prosperity doesn't do much for any of us.

We have worked with hundreds of clients who came to us with an impressive net worth— millions each—but who were somehow

still living paycheck-to-paycheck each month. Many of them stressed over how they would make payroll for their business next week, or when they'd be able to take a trip. We call this asset-rich and cash-poor.

If you need cash now, your net worth is either put at risk or in worst case scenario is worthless. If you buy into the accumulation philosophy, then your money is locked away and your assets are not liquid. Net worth is potential energy, like a boulder perched on top of a hill. It can release a lot of energy when it rolls down, but that's only once, and then its potential energy has been used up.

Cash flow, on the other hand, is like a hydroelectric dam. Energy is constantly being generated without depleting the source. Cash flow is the single most important financial indicator of your sustainability, security, and success.

Shifting From Accumulation To Cash Flow

If the accumulation mindset is engrained in you, ask yourself why you are accumulating money. What is the goal? How will you benefit? Now? In the future?

Believing in accumulation is to believe that money is power. But instead put faith in the things that create money, not money itself. Money is not power. It is merely a representation of value.

Money is never manifested and exchanged until value is created. It's only an expression of value creation, which comes from you. For business owners, your best investment is your business. Your business is where you will create most of your wealth during your lifetime. So, if your business is going to be your primary production and profit vehicle, why not have it be your top investment priority as well? (With that said, it's also important that you don't overspend on

your business, thus preventing you from transferring business wealth to personal wealth.)

Invest in yourself and your business. Not your 401(k), your IRA, mutual funds, your house, or your rental properties. Invest in you. The best investment you can ever make is to increase your human life value, or to invest in your ability to utilize your knowledge and skills to create value in the world. Turn inward for personal improvement and value will flow outward to those around you. Keep the focus on you and your business, and the future will take care of itself—including retirement.

I met Travis Zigler at an event hosted by Amazing.com. He initially had a business selling products on Amazon and now has expanded to other platforms as well. What were his biggest insights with Wealth Factory? He now structures everything around cash flow instead of accumulation with uncertainty of what would happen in an unknown future. He sold everything in the stock market, his real estate, and any other so-called investments that had become distractions. Instead he used the money to invest in online businesses that return at least 20%. This is his Investor DNA and key on his path to economic independence. Once he creates 200,000 of cash flow from online businesses, then he will look to move into real estate—focus over diversification.

Right now, he has \$8,000 per month in recurring revenue from his assets. This is more passive than active and even though it is not a life of luxury, he can get by if he stopped working. The objective now that he has economic independence is \$600,000 per year is the key for them in recurring revenue, in addition to his six-figure business he is active in. He has also created a side business with \$100,000 of revenue.

The game changer for Travis was overcoming the scarcity mindset that budgeting had promoted. He thinks production and abundance now. He used Mindful Cash Management to set up Cash Flow Banking for business loans, investments, and liquidity.

Through misinformation, misguided, but well-intentioned retirement planners, and massive Wall-Street marketing campaigns, the word investing has become synonymous with the stock market. Yet, the reason a small business will increase in value may be completely different than that of a publicly traded company. There are different fiduciary requirements for a CEO of a company whose stocks sells on the New York Stock Exchange than there is of a founder based, privately held business.

This is the difference between shareholder value and true value creation. Dollars follow value, but value is perspective. Shareholder value may require adding more workload to each employee and firing others to raise the stock price or taking more from customers without providing more. This is praised on Wall-Street and stocks increase in value with these actions, but does lifestyle?

Instead, what if you can win, your employees can be fulfilled, and it improves the customers life as well. Where value creation is the key through win-win transactions. The increase of cash flow comes from an increase in value, not an increase in work load or additional extraction of value from taking advantage of customers because you own the market and there is no alternative.

This is not the case in all companies, but may be in the majority held in a mutual fund. The news constantly bombards the issues with corrupt business, but the majority of the time that is the big

corporations and less likely to be privately held small businesses. You have influence and a degree of control with your boardroom- fund it first!

Of course, some entrepreneurs aren't ready to think of their business as a retirement plan. Work can be overwhelming, but it doesn't have to be that exhausting. At Wealth Factory, the primary focus is supporting people to create economic independence, generate cash flow, and plug energy leaks by making the business less reliant upon the owner. At the same time, we're helping owners to scale their business more efficiently to allow them to regain the passion they began with, while greatly increasing their income.

We don't teach you this so that you can work forever. We do it so that you can retire in your business. We do it so that you can start living the life you love today, instead of hoping to retire from your business someday, many years down the road. **You don't get a second chance to build a life you love and create a legacy that lasts.** You have the opportunity to change your family's financial destiny.

Economic independence is achieved at the rate at which you convert assets into sustainable cash flow. The ultimate goal isn't to accumulate a large net worth, but rather to enjoy a healthy cash flow. And when you focus on cash flow, you accelerate your investment income.

CHAPTER NINE

Cash Flow Banking

“Many folks think they aren’t good at earning money, when what they don’t know is how to use it.” - Frank A. Clark

In the 1950s General Electric had divisions of their enterprise that were losing ground to the competition and no longer ranked number one or two in their industry. To remedy this situation, GE wanted to attract the best talent and came up with a plan that would not only support this vision, but one that would replace the investment in these key executives, often with interest.

When they approached the potential execs, they offered non-qualified (not a government qualified plan like an IRA) deferred compensation (NQDC). This was a pension designed to attract talent in exchange for staying with the company for the next 7-10 years. In order to fund the pension, GE bought permanent, cash value insurance.

GE would use the cash value to supplement or pay for the pension. Upon the death of these executives, the life insurance death benefit would pay to the company, tax free. This not only reimbursed the expenses, but left them with a return on their capital- all parties win.

Win = Acquiring the best talent.

Win = Being able to provide a future benefit through leveraging a death benefit rather than burdening cash flow.

Win = Using cash value to support and supplement the pension.

Win = Tax efficiency with cash value and death benefit.

Win = Not dependent on the performance of the stock market.

The Rockefellers have applied this to their family and have been doing this very thing for six generations strong. If you want your family to be something you support in life and death, you can set up policies on everyone that would benefit from the family trust. The cash value can be a financing mechanism along their lifetime and the death benefit can replenish the trust upon death. This works not only for GE and the Rockefellers, but can work for you through Cash Flow Banking.

Cash Flow Banking is a personal finance system, a personal banking system to **cut out the middleman, earn interest rather than pay it, save on tax, and rig the financial game in your favor** (legally and ethically). In addition, it creates multiple benefits including saving on insurance costs like term life insurance and long-term care. It allows you to preserve and protect your wealth. It is also the perfect place to store cash until the right opportunities arise to grow your wealth. You can access and use your money anytime you want for any purpose. This can give you years of liquidity instead of a few months, therefore giving you more sustainability and the ability to capitalize on opportunities.

Your Cash Flow Bank is the financial engine to enhance Mindful Cash Management. It allows you to build wealth without budgeting. It takes into consideration living within your means, but without limiting productivity. It's not about shrinking thinking. You no

longer focus on the fear of spending too much. Instead, you pay attention to creating more value and increasing productivity.

Cash Flow Banking is about setting up a system to capture wealth, increasing cash flow 20-50% by unlocking assets, and protecting your downside when the market and economy change.

“Having the discussion about Cash Flow Banking is what gave pragmatic examples of how I could win by saving tax, be less reliant on the market, keeping access to my cash, and knowing I could fund my trust in the future. For me, the whole idea of having money in the stock market, mutual funds, or any traditional investment strategy has always been disheartening. There are so many fees—some you’re aware of and some you aren’t—and it’s not like our great grandparents’ days with pension plans in place. Now we are responsible for our own retirement, and oftentimes there’s a lot of outside influences if you rely on the market. I didn’t want to bank my golden years on that. I realized that Cash Flow Banking didn’t rely on the stock market and this strategy doesn’t fail. This allows me to hedge my bets for my husband and I, our children, and even college funds with Cash Flow Banking. I enjoy being my own bank rather than paying interest to financial institutions when I get cash to buy my next car. Cash Flow Banking allowed me to have the vision and foresight to see the generations of family that might also want to afford a higher education.” – Jessica Steele

First Step: Start With Your Wealth Capture Account

To set up your Cash Flow Bank, you must first fund it. This starts with your Wealth Capture Account.

This is a savings account that works as a sort of holding tank for your money. There are many purposes of a Wealth Capture Account, including:

- Track your money.
- Capture money when you use strategies to be more efficient with your money.
- Prevent co-mingling of your funds (that is, keep the funds you use to pay bills away from the funds you use for fun and savings and/or investments).
- To have an account where you can invest that money back into yourself to be more productive in your life.

By automatically sweeping a certain percentage of your income into your Wealth Capture Account, you can track your money without the stress of budgeting.

We recommend that you work towards moving 18% of your personal income into your Wealth Capture Account. Note: this is not your business revenue, but your personal income. Start with the habit and any amount you can, utilizing the Mindful Cash Management model of efficiency. Finding where you may be overpaying on tax, interest, investments fees or insurance. Your mantra for this set up: done is better than perfect and progress over perfection. Throughout this book, we have been offering support to find ways to get there without infringing on your lifestyle and ultimately enhancing it.

In the 1920's a wonderful book by George S. Clausen called *The Richest Man in Babylon* was written. The main message: pay yourself first. His recommendation was 10%. This was a time before the inflation we experience today and other advancements in technology

that require more money in the future to keep pace with lifestyle. The 18% is from the following:

- 3% for **planned obsolescence** — when things break and must be replaced.
- 3% to handle **inflation**. This is low, but it's a minimum. The other percentages we recommend will create buoyancy and handle higher inflation.
- 3% to account for **technological advancement** and change. We buy things now that didn't even exist before, and this will continue in the future. Think smartphones and computers.
- 3% for **taxes**. Taxes fluctuate, and they're likely to rise (the government is trillions of dollars in debt).
- 3% for **propensity to consume**. You know how it works: once you enjoy a luxury, it can become a necessity!

When you've worked up to moving 15% of your personal income into your Wealth Capture Account, there is a separate account for the final 3% – your **Living Wealthy Account**. Both accounts can be a checking, savings, or money market account that is easy to automatically sweep money into and access when the time is right.

The Living Wealthy Account allows you to continue guilt-free spending on purchases that you find valuable. It is a reminder that you are doing the right things for your financial life by paying yourself first and allows you enjoy life along the way. Simply saving can be drudgery, like going on a diet and counting calories. Your Living Wealthy Account ensures you celebrate and enjoy the finer things in life, so that the process doesn't become a tedious chore. You of course can spend more than the 3% on other lifestyle expenses you enjoy, but use this to reward yourself with the things that add extra to your quality of life now.

You may not be able to start with saving 18% of your income. Just start with whatever you can and work up to 18% over time. With Mindful Cash Management methodology, you will find money leaks and add more cash to your life without cutting back.

Once you have your automated wealth capture structure in place, we recommend you take a quick look each week to make sure you aren't spending more than you make. The rules are do not borrow to consume. If you go out of bounds by spending more than you make, the entire system breaks down.

As you fund your Wealth Capture Account, next it's time to move from capture to creation by establishing the next step in your Cash Flow Banking system.

If 18% feels impossible, think progress over perfection and start somewhere.

Melinda Wittstock heard me speak as she was launching her 4th business. This was a very difficult time for her as she was exiting a toxic marriage that robbed her of confidence and her savings, plus her start-up had unpredictable cash flow. She was struggling as a single mom feeling bouts of scarcity.

"I heard Garrett say a luxury once enjoyed becomes a necessity which made me realize I had borrowed money for the wrong things in the past. I had never heard someone speak about money like Garrett or ever considered Mindful Cash Management type of thinking before. It was time to rewrite my money story."

Melinda heard me talk about saving 18%. She wanted to get it right this time even though she didn't know where the money would come from and was concerned about her business's cash flow. She was facing difficult situations that created scarcity and so it was really hard for her to commit to put this money aside, but she did anyway.

By making it automatic and sweeping it to another account, she was surprised because it didn't change her lifestyle. "I felt fine. It really has put me in an amazing spot. I recommend this to anybody, just start it. I became a responsible steward with my money and the universe rewarded me with more." - Melinda Wittstock

Step 2: Enhance Your Savings

The next part of Cash Flow Banking provides you with a structure to make money in the same way that banks do. It allows you to boost your cash position in the near future without taking on more risk by doing some of the same things banks do with your reserves. Can you imagine no longer needing to jump through the hoops required to borrow money from a bank? To be able to access money and pay it back whenever you want with no impact on your credit score? Without an application or credit check?

One of the most powerful tools to accomplish this is actually a specifically designed type of whole life insurance policy with extra cash using a feature called a "paid-up additions rider."

Paid-up additions (PUAs) are the extra money and overfunding you put into your policy beyond what the policy would require. This money accelerates the growth of the cash value and grows the death benefit as well. It supports in moving beyond the capitalization period with the up-front insurance costs in the early years of the policy. This means you won't have to wait ten or twelve years to see a positive increase on the dividends over other savings vehicles. It also gives you tax advantages along the way.

You can set up your whole life policy so that at least 50-60% of the money you put into it shows up as cash value and is liquid and accessible in the first year.

We refer to this type of structure and policy as “overfunded” whole life insurance, or Cash Flow Insurance, and it has four key benefits:

1. It safeguards your wealth by protecting it from market downturns, bankruptcy and lawsuits.
2. Dividends boost your cash value and increase your cash flow.
3. You can use and access cash along the way.
4. In the future, the death benefit can be coordinated with other assets to unlock additional income to boost your cash flow 20-50%.

Don't build net worth, buy it.

Visit WealthFactory.com/Rockefellers and download a free chapter of *What Would The Rockefellers Do?* to learn more.

A properly funded Cash Flow Insurance policy:

- Provides significant tax advantages on the distribution and accumulation of dividends.
- Allows for elimination of term insurance, and in some cases, long-term care insurance.
- Easily outperforms savings accounts.
- Is protected from liability or bankruptcy. It is fully protected in most states.
 - Go to CashFlowBanking.com/Protected to discover which states have full protection and a simple hack if your state does not.
- Gives you a way to increase future cash flow, while buying net worth immediately without having to take risk or wait for your money to build up.

The most powerful moves you can make to build your financial foundation are to pay yourself first, plug financial leaks, set up a Wealth Capture Account, regular check-ins to examine the flow of your money and type of expense plus funding your Cash Flow Insurance policy.

Create Wealth With Your Cash Flow Bank

The high cash value life insurance products we use for Cash Flow Insurance are often guaranteed at 4% per year, plus a likely dividend, minus the cost of the insurance. Depending on your age, your health, and how you fund them, you will be able to net between 3.75% and 5.25% on every dollar you put into the policy, as long as it is structured properly. Then, when you want to access the money in your policy, you do so by using a policy loan feature.

No other financial product allows you to have tax advantages and borrow money up to the amount of money you have in your policy and not interrupt the growth of your accumulating cash. You can save your cash in a product that is guaranteed, protected, and liquid to use for future money decisions that you will make anyway. But now, you are building your own banking system. Furthermore, you can build a structure to protect your legacy by securing policies on your significant other and children. You will hold onto significantly more of the money that is passing through your hands, which creates a very high effective rate of return.

In fact, banks themselves use cash flow techniques very similar to the ones we're discussing here. Basically, all you're doing is cutting out the bank as the middleman. When you put money in a bank, the bank puts a certain percentage of that money into life insurance as part of its reserve account. Banks do this because life insurance

has tax favor and it earns dividends that can lead to a higher interest rate than banks' other reserves. So why not just put money into life insurance yourself, and take the bank out of it?

Insurance companies have strict parameters on where they can invest the money in their general portfolio. They aren't allowed to invest with much volatility or risk, so they make more stable investments. In fact, insurance companies are one of the largest purchasers of long-term corporate and government debt (bonds, bills, and notes).

Moreover, if you want to borrow from your policy, all you have to do is make a phone call or send in a form (depending on the amount or company). If there is an investment opportunity — for instance, within your business — that you believe will provide a double-digit return, you can have your insurance company wire-transfer the money into your bank account within seventy-two hours.

"With Cash Flow Banking we realized the importance of cash flow for the first time. Prior to working with Wealth Factory, we were missing a solid grasp of how finances really work. We were definitely stuck in a scarcity mindset, even though we were doing "OK" financially by most standards. We budgeted as we believed we had to accumulate money, which ended up failing us miserably—especially after our IRAs took big hits in 2002 and 2008. Wealth Factory helped us change this by setting up Cash Flow Insurance policies. We now have more than \$500,000 cash value in our policies and have taken and paid back several loans already: bought a car, investing in programs, and our business. We've also been able to accelerate our Cash Flow policies and are now putting almost \$12,000 a month into them. This came from using the cash flow optimization process, plugging leaks,

and investing back into ourselves where we went from 229,550 dollars to 838,980 dollars. We never could have imagined doing any of this just six years ago.” - James and Candace Bentz

The principle is to **automatically save and deliberately invest**. Automatic savings happens with your Wealth Capture Account as step one and automatically transferring that amount into your Cash Flow Insurance as step two. Then, you use your Cash Flow Insurance to invest in growing your business or other investment opportunities. If there aren't better opportunities, enjoy healthy and safe dividends to fuel your cash value and death benefit growth.

Dale and I both have had our insurance companies send us checks via FedEx or UPS, or wire us a check, or even once sent me a check by regular mail (although I don't recommend that option). It generally takes 3-5 business days to get our money. Then, we choose when and how we want to pay it back—or if we ever pay it back, for that matter. If we die with an outstanding policy loan, it can be paid off by the death benefit. For instance, if we have a \$1,000,000 whole life policy and \$100,000 in cash value, we would have liquid access to 95-97% of the \$100,000 to use for whatever we like. If we borrowed out \$50,000 through a cash value loan, and died before paying back the loan, our beneficiary would get \$950,000, or the difference between the gross death benefit and the outstanding loan.

We can treat it just like any other automatic loan. We can choose when we want to pay extra, and choose when we don't. We never have to disclose that we took out a loan, so it won't affect our credit. And the only requirements for getting the loan are that we have some cash in our policies to borrow. It's the easiest loan either of us has ever had to deal with!

If you utilize Cash Flow Insurance, and get everything properly set up, you'll be able to pay for your kids' college, pay off loans, finance your home or car, start a business, write a book or have a peace of mind fund—and earn interest the whole time.

Cash Flow Insurance is instrumental in creating economic independence. It will increase your clarity and peace of mind with the certainty that your cash value can never lose, go down with a market correction, or have volatility. When you know that your savings are stored securely where they will have a guaranteed rate of return, you can make your financial decisions, run your business, and plan your life in a different way than when you are uncertain what will come in the future. If others are liquidating their net worth due to volatility and market downturn, you can make money on the buy because your money will be there safe, secure and available. You can leverage the certainty you'll have in your planning in all other areas of your life.

To further illustrate Cash Flow Banking, let's see it in action with John Gerstenlauer.

Order And Opportunity

John is an engineer and has been in business for forty years. He has an MBA and prior to hearing about Cash Flow Banking was bringing home a lucrative six-figure salary each year as a Senior Vice-President. He had some of the basic financial planning structures in place — a will, term life insurance, a 401K — but didn't necessarily understand the function or capabilities of these tools. John was in the same boat as a typical American that knows nothing about the financial strategies of the wealthy. When he met with Dale, something clicked as he introduced John to a network of experts that were teaching about

the legal and legit tricks of the wealthy, their strategies, and the tools to use to carry out the plan. Equally as important, it also opened John's eyes to an entire new set of opportunities. After attending an event I was hosting, I remember John saying his whole world went from black and white to living color.

"It was like the Wizard of Oz. The combination of skilled experts with the know-how to properly update, order, and protect my financials, mixed with my newly opened eyes has made a huge impact. After forty years in the business, I recently decided I'm done. I'm taking a jump off the cliff and leaving my six-figure salary to grow my own successful real estate business. I absolutely believe it is possible for me to grow a successful business using the concepts and principles taught with Wealth Factory."

In order for John to have this jump off point, several pieces had to be in place, beginning with asset protection and Cash Flow Insurance. Starting his business, we established overall order to the estate, accounting, entity formation, and overall financial life. Dale quarterbacked his finances so he could set up trusts, establish an LLC and look at estate planning to provide for a secure future. With order and security in place, the focus became on creating and growing the new business. John worked with Dale to set up Cash Flow Insurance policies for both John and his wife.

"I'll admit the concept was confusing to me at first, but now I'm fully on board and using it to fund real estate deals. Prior to Cash Flow Insurance, my partner and I were looking at hard or soft money lenders to finance our real estate ventures. The problem was hard money lenders charge 13-15% and other

private lenders tend to only go as low as 11%. I quickly realized with a Cash Flow Insurance policy I can borrow against my policy at about 5% with no points. It was a no brainer. I am now operating as my own private lender and have \$85,000 to \$90,000 cash available at 5% at any given time. Mindful Cash Management is about more than the money. Budgeting sucks! I don't want to have to budget, and now I'm not. I'm living within my means but consistently expanding my means. I never had the confidence when I was focused so heavily in the budgeting mindset. It just felt so risky, but now I'm so confident I'll succeed with my new venture that I booked a family cruise only six months into quitting my job. We deserve it, and I'm not worried about it! Why? It all comes from my new world view. Wealth Factory emphasizes self-examination to figure out who you are, your strengths and weaknesses, your passions, and what kind of lifestyle you want. There's an entire life aspect that is tied in. And this philosophy, this education you receive opens up your whole way of thinking — much broader than just your finances. ”

7 Benefits Of Cash Flow Banking

We don't recommend that you store cash in a Cash Flow Insurance policy simply because of the returns. Neither are we suggesting that Cash Flow Insurance is the be-all and end-all of your portfolio. Instead, we're saying you can use Cash Flow Insurance to become more efficient with your money than you can with a one-dimensional savings account.

Cash Flow Insurance has multiple dimensions: tax advantages, liquidity, safety and security, estate protection, legacy planning, and

the ability to recover the cost of term insurance, and more. Here are the main benefits it provides:

1. Consistent, guaranteed growth. If you put extra money into a savings account, it will likely earn less than a few percent per year at today's rates. In addition, any returns on that are taxable. But extra money in one of our vetted and certified Cash Flow Banking systems has a minimum guaranteed (and tax advantaged) return of 4% per year. That's a significantly higher return than a savings account. Those returns are contractually guaranteed by the insurance company.

It gets better: Non-guaranteed dividends can also add an extra 1-2% per year on top of that guaranteed return.

To find a certified Cash Flow Banking specialist go to www.CashFlowBanking.com.

"I had always been disciplined, even over disciplined, and looked at our finances every day. Wealth Factory showed my wife and I that there was a much easier way. Working with some of the Cash Flow Insurance aspects was one of the tools we honed in on. It got us in the format of not trying to make money decisions on a week-to-week basis, but rather using a much more strategic approach." - Michael Buffington

2. Guarantee against loss. Most people save for retirement in a qualified plan such as a 401(k) or IRA that's heavily invested in mutual funds. But, as people found out in the financial crisis of 2008, just because your financial statement says you have \$50,000 in your retirement account, it doesn't mean you have \$50,000 in your retirement account. If your retirement account is invested in mutual funds, it means you own \$50,000 worth of shares in the mutual fund. And those shares could go down in value, or drop in half very quickly, and your money could simply disappear.

That is not the case when you build wealth in a Cash Flow Insurance policy. Your account never goes down in value, regardless of what the stock market or real estate market does. The only direction it can go is up.

“One area that I’ve really enjoyed refocusing is my retirement dollars and strategy—Cash Flow Insurance—that is not dependent on the market. I just cancelled my entire 401K company-wide last year. I had socked away quite a bit of money, and now I’m liquidating it all to put in my Cash Flow Insurance. By overfunding this policy, I will have a lot more return with much less risk. I don’t know of other vehicles that are as lucrative and I am loving the strategy.” - David Paul Doyle

3. Tax-favored status. Your cash value is tax-deferred. Loans against the policy are completely tax-free. The death benefit is also income tax-free. And if the policy is owned properly, there may be zero estate tax too. Managed correctly, utilizing the cash value during your lifetime is also completely tax-free. You may never have to pay taxes on any money taken out of the policy.

Many people don’t realize that you can create a stream of income for twenty to forty years to supplement your other sources of cash flow using the policy. In our tax bracket and situation, a taxable investment would have to return 9.9% every single year to match the growth of a Cash Flow Insurance policy, considering the fees, taxes, and volatility associated with mutual funds for example. That rate of return is not only unlikely, but probably impossible.

Ok, so there are some catches and limitations to be aware of. First, even when designed properly, this can take time to capitalize, meaning there is a period where you will have put in more cash than you have in the cash value early on. Second, this is not as flexible as

a savings account where you can stop contributions at any time. This doesn't mean there isn't flexibility to skip premiums, reduce premiums or stop completely, but in the first few years this will be limited. Most importantly, how the policy is designed and choosing a few dozen of the companies that support this properly are key. For Certified Cash Flow Banking specialists, visit www.CashFlowBanking.com.

Expanding on Cash Flow Banking, Brian Baird worked to set up a Cash Flow Insurance policy and take advantage of a powerful feature called the paid-up additions rider.

"This allowed me to super charge my policy with extra cash value from day one. A few years later, I suffered a mild heart attack while on a work trip to South America making me essentially uninsurable. Thankfully, I am doing just fine and having a policy already in force has brought great peace of mind. In addition, having the Cash Flow Insurance in place provides comfort of not having to carry a term insurance policy to retirement. This provides freedom to spend down other assets without worrying about providing for my wife on my departure. The policy also provides the ability to take advantage of the reduced paid-up option on my Cash Flow Banking strategy, which allows me to control when I turn the deposits going into policy on or off. When I retire, I can turn off the requirement to make any future premium payments, but still have full access to 100% of my cash value. Further, I put all of my assets into a trust, which is really important from a tax and liability standpoint and will help guarantee future disbursement of wealth and protect it from the IRS." - Brian Baird

Finally, if you live in countries like the UK and Australia for example, this type of Cash Flow Insurance policy is not made available.

You may be able to travel to the United States or Canada to set something up though.

4. Not touchable by creditors. The money inside a Cash Flow Insurance policy is off-limits to creditors in the majority of the states in the U.S. Furthermore, the courts can't touch it in a bankruptcy (exact amounts vary from state to state). Your cash value is safe and secure from financial predators.

Foundation and Cash Flow Insurance: When I met Garrett and Dale, I, like many, followed the “work hard, make cuts, save money to invest in a retirement plan, and play the game for years” financial approach. I was exposed to the market, didn’t have a will, didn’t actually understand the benefits of having a trust, and was constantly worried about the various savings accounts and insurance policies I’d signed up for over the years. I was actually good at budgeting in the traditional sense, but I wasn’t achieving my financial, professional, or personal goals because I was constantly worried about all of my investments and whether I would have enough to retire.

Garrett and Dale introduced me to tools that were literally life changing: A strong foundation and Cash Flow Banking. Having a strong foundation in place with 100% confidence means I no longer have to worry about protection mechanisms like various insurance plans and safety nets. Wealth Factory’s independent assessment helped me put an account structure in place to protect me from the catastrophic, which has given me complete peace of mind knowing I have what I need in place.

WealthFactory.com/Strength

"I've changed all of my insurance policies and set up my own Cash Flow Insurance system. I'm now investing completely in myself, and I'm not questioning where my money is going or how the market will be when I'm ready to retire. I no longer invest in anything I don't have control over. I'm at liberty to always invest in something I believe in and am either an owner or partner in." - Nick Clausen

5. The policy doesn't have to be taken out on you. Starting a life insurance policy later in life or after being diagnosed with a major illness can be costly. But that doesn't have to be an obstacle to building wealth inside of a Cash Flow Insurance structure. You can simply start a policy on a spouse or a child and get the same benefits.

We both have Cash Flow Banking policies on ourselves, our wives and our kids. You can also set up policies with your grandparents, grandkids, key employees, business partners and executives. (Again, this is how corporations build buyouts and pensions for their top executives.)

6. It provides more than just a death benefit. If all you want is a death benefit and none of the accelerated growth, tax advantages, banking strategies, and privacy of a whole life policy, then you can buy term life insurance (we recommend it as stopgap coverage rather than as a long-term strategy). Every dollar you pay into most term life insurance is lost unless you die during the life of the policy, which is typically about 10 to 20 years from the day you purchase it. That's why 98.9% of term policies end up not paying out a death benefit, resulting in lost money. But with whole life insurance, the policy is guaranteed to pay out as long as you pay the premiums. It's *permanent* life insurance.

If you do buy term insurance, make sure it is convertible to whole life. This means you don't have to prove you are in good health and

insure you can change the type of policy. For those that have questionable cash flow, limited to no savings, or are heavily investing in getting their business going, term insurance is a great option for now. It will give you protection with the option to switch as your situation evolves.

7. It allows you to buy your net worth. Because whole life insurance comes with a guaranteed payout, if you sign a contract for a \$5 million death benefit, then you just added \$5 million to your estate. If you pass away, your estate is \$5 million richer. But during your life, you will, of course, grow that \$5 million in net worth over time through your premiums and dividends. Either way, if you continue to pay your premiums, your estate will be \$5 million richer in the future.

"I was taught that accumulating money in a whole life insurance policy was a waste of money. I am so glad now to have met Dale. He helped me to understand the proper way to purchase whole life through the Cash Flow Banking approach. A friend of mine who easily had the ability to afford a new \$800,000 home is having trouble getting the financing to purchase one. If he had started a whole life policy, he could have loaned himself the money to purchase it."

"Now because of Dale, I will never have to worry about financing again. I only wish that I had started sooner. That is precisely the reason why I am in the process of setting up Cash Flow Insurance policies on my children." - Ben Warnock

Harness The Tool Of The Wealthy

Cash Flow Insurance has been remarkably underutilized by the masses. At the same time, banks and corporations use these policies, and these techniques, to maximize their profits.

In fact, what we call Cash Flow Banking used to be the way that savvy savers acquired wealth before the glitz of the stock market casino took over.

- Fortune 500 companies use this as a way to handle executive bonus and retirement plans with Company Owned Life Insurance (COLI).
- Banks use this for a large portion of their reserves Bank Owned Life Insurance (BOLI).
- Walt Disney used it to build Disneyland. James Cash Penney borrowed from his Cash Flow Insurance policy to help meet company payroll.
- John McCain secured his initial presidential campaign financing bid by using his Cash Flow Insurance policy as collateral.

Pensions and retirement plans have failed. The only financial tool that has stood the test of time and has survived World War I, the Great Depression, World War II, and the high inflation of the 1980s, is whole life insurance. Whole life insurance as a wealth capture tool has only improved over time.

CHAPTER TEN

Eliminate Budgeting with Value Based Spending

“Wealth is the ability to fully experience life.” - Henry David Thoreau

Money is a lifestyle. The key is to lead by example and live a life that you love. Value Based Spending is the alternative to budgeting that allows for your finances to support that life.

Budgeting sucks. That's why hardly anyone does it. It implies restraint and sacrifice, rather than abundance. Budgeting is about eliminating experiences, or not taking trips, and or even delaying making memories. It's all about scrimping in the hope of future wealth. The budgeting mindset lowers people's standard of living, as well as their quality of life. It tends to have people think in terms of competition rather than collaboration. Reduction and selfishness rather than production and co-operation. Creating a life you love, full of value creation, is unlikely if you never enjoy your money or create meaningful experiences.

Budgeting has come to mean can't:

- We can't afford it.
- We can't do date night.
- We can't arrange that trip with the family. I can't hire help; to save money, I have to do everything myself.

In contrast, the mindset of Value Based Spending is not budgeting. Instead, it utilizes Mindful Cash Management—prioritizing to get the most out of our spending. With Mindful Cash Management, you don't track your expenses down to the last penny. You're simply aware of how much money is flowing through your hands at any given time, by automating how you save and manage money.

Mindful Cash Management means understanding the difference between price, cost, and value, and spending consciously based on what you value most. It is making sure you are aware of your expenses, but not held captive by them. The process involves tracking your expenses and cash flow on a weekly or bi-weekly basis. You simply know what you are spending, avoid spending more than you make, and leave room to spend on things you value. No reason to set up budgeting envelopes, jars, or items that constrain what you do as long as you don't spend more than you make and pay yourself first.

This structure invites abundance into your perspective on money, and in Value Based Spending, it's your own perspective that matters. It comes from asking yourself what brings you joy, fulfillment, and utility. This is not about what others think, allocating money on your terms, your perspective, and enjoyment.

Budgeting mindsets can feed scarcity as they focus mainly on the price of an item. Retirement planners don't tell you this, but we will: Budgeting destroys dreams. When you only plan for later, you neglect life itself. If all you think about is retirement, you can't appreciate the present. In being too focused on savings and someday, yesterday, today, and tomorrow may pass you by.

When people budget, they strive to be cheap enough now so they can be wealthy later. That's the whole philosophy behind programs like The Millionaire Next Door: If you never spend any money, you

too can become a miserable millionaire. But you can't scrimp your way to happiness. Being a cheapskate isn't fun. What good is planning for a future when you let your actual present slip away? To make matters worse, when you die living like a cheapskate, your heirs are likely to blow the money in a few years.

Instead, imagine redefining retirement by creating a purpose so compelling it would take a lifetime to accomplish. First, this will create a future of excitement and engagement. If you delegate that which you hate to people who enjoy those areas, rather than hustling yourself into exhaustion, you will do more and more of what you enjoy. Collaboration is key. It may take time to delegate at this level, so take it a step at a time. Then, with the time you would have spent in retirement, you can enjoy more of the journey you are on, creating experiences to enjoy along the way.

You can reach economic independence and love life at the same time. Let's reinvent what it means to live within your means and **accelerate your financial velocity**. You can achieve financial independence within three to seven years without budgeting. It's a matter of the right methodology and an abundant, value creation mindset.

Price, Cost, And Value

Financial freedom is a mindset. We've covered these three measures three times—they are that important! Begin with value, then consider the impact of the purchase and finally, look at the price tag for your purchase:

1. **Price.** The amount you pay for a good or service.
2. **Cost.** The economics of a deal measured in the net impact, overall financial benefit, and how it impacts your bottom line.
3. **Value.** The importance you place on a good or service based on your personal priorities and standards.

Some people think it's a waste of money to buy designer brands, such as Louis Vuitton, Gucci, or Rolex. Others think it's a waste of money to buy a TV sports package or season tickets for your favorite team. Others think it's a waste of money to take a European vacation. Only you can decide.

Many personal finance gurus would say buying coffee, unique hotels or experiences, and the like are a waste of money, if you haven't yet saved enough for retirement. Who's right? Are these purchases "worth" it? The answer is that it depends completely on you. Price alone can't determine what something is worth. You must also consider its value—and everyone perceives value differently. So, if you value a Rolex watch more than you value \$7,500, then anyone who tells you it's a waste of money is simply wrong.

When you follow Value Based Spending, it's perfectly fine to live wealthy today and buy what you value, especially if it gives you peace of mind and abundant thoughts. When you consider the three measures of worth—price, cost, and value—deciding what to spend your money on becomes clearer.

For example, if you have the chance to buy a computer at a low cost, do you take it? In a computer, cheap often means slow, and that costs you time. Some things are low price, but high cost. If you skimp on equipment to save a few dollars, but it doesn't get the job done right and you have to do it over, the cost can be incredibly high. If time is one of your most valuable assets, then pull the trigger and spend the extra money.

Along the same lines, is it worth buying an expensive espresso machine? What if it creates enjoyment for you or replaces your even more expensive coffee shop habit? That's surely a money-saver. But if you don't enjoy the process of making an espresso or taking care

of the machine, it will cost you time and convenience. What do you value more? I love my espresso machine because brings me joy in my morning routine. Others may not enjoy the nuances of making a good cappuccino like I do. This isn't right or wrong, this is preference.

Some people may tell you that it makes economic sense to hire someone to mow your lawn. That may be true from a price and cost perspective. But what if you get pleasure out of mowing your lawn? What if it helps you clear your head, make space for new ideas, or simply to relax? Then the answer is clear—you get more value out of mowing your own lawn than paying someone else to do it.

People in financial scarcity consider price and price alone. Those who are financially free look at value first, cost second, and price last. Don't let others dictate to you what's a waste of money and what's a good deal. It's completely subjective. If you value yourself, then every month, you pay a percentage of your income to yourself first, before paying for anything else. This helps you to both expand your abundance mindset and build wealth. Follow Value Based Spending, which doesn't constrict or constrain you, and examine price, cost and value to make your decision. If it adds value to your life, and contributes to your clarity, peace of mind and abundant thinking, then it's worth it to you.

"Money is multiplied in practical value depending on the number of W's you control in your life: what you do, when you do it, where you do it, and with whom you do it." - Tim Ferriss

Value Based Spending vs. Mindful Cash Management

Value Based Spending means buying what you want with cash. This takes into consideration enjoying life, having fun, and spending from your perspective and values. Mindful Cash Management means

having your Cash Flow Banking system in place and knowing the basic flows of your money. Mindful Cash Management also means knowing how to keep more of what you make while investing in yourself as you expand your ability to create value for yourself and others.

Mindful Cash Management focuses on efficiency and expansion, pushing through the boundaries of limiting beliefs, and moving beyond a scarcity mindset. People who hold to a strict budget rarely think about ways to increase the size of their budget. They typically focus on reduction rather than production. With Mindful Cash Management, rather than living in fear of spending too much, we pay attention to what's valuable to us and where we can create more value. And using Cash Flow Banking, we automate a system to capture and create wealth.

Stop Budgeting And Automate Your Cash Flow

Mindful Cash Management and Cash Flow Banking are the solutions to budgeting. They allow you to avoid debt and stop aimless spending, while enjoying life.

1. Make sure you are paying yourself first, building at least 6 months of expenses in savings, and eliminating any loans that create stress or scarcity.
2. Set up a system to enjoy life while you capture wealth with a living wealthy account.
3. Understand the flow of your money and reviewing it weekly or bi-weekly in a personal Wealth Summit, which is a quick review of your spending. Are you saving enough off the top, classifying your expenses, and keeping your spending within

the boundaries of the cash you have? With good organization or a bookkeeper that supports you with the numbers, this process need only take 5-10 minutes.

4. If you have young children, include them in some portion of this meeting as a way to have conversations and create healthy financial habits. Families that don't talk about finance are much less likely to create a lasting legacy.

Be Conscious With Your Money

If all of this sounds good in theory, but you're not sure where to start, here's a way to make it simple so you can enjoy immediate results. Mindful Cash Management begins with understanding what's happening with your finances and to be more accountable with your money by concentrating on three key areas:

1. Be aware of where your money is going. Every dollar we spend shows our priorities. It's important that we know where our money is flowing. Over the next thirty days, look at your expenses and categorize your spending into one of these four expense categories:

- Destructive
- Lifestyle
- Protective
- Productive

Then you simply follow this recipe:

- **Eliminate** all destructive expenses.
- **Manage** your lifestyle expenses (never borrow to consume).
- **Address** your protective expenses.
- **Increase** the right productive expenses.

2. Be responsible for your financial decisions. Mindful Cash Management is not only about knowing where your money is going, but also owning the monetary decisions you make. This includes getting proper support from a bookkeeper.

A great way to increase personal responsibility is to find an accountability partner. The bookkeeper may serve as your accountability partner, or a spouse or business partner may. Have someone else in your life who can hold you to tracking your income statement and cash flow, especially if numbers intimidate or bore you. Having a partner you meet with on a monthly basis is a critical key to consistency.

3. Pay yourself first. You are your greatest asset. As long as you pay yourself first, you have the freedom to spend as you please based on what's valuable to you. This is a key piece to expanding your wealth.

Save More With Mindful Cash Management

Mindful Cash Management includes short-term, mid-term and long-term savings. We want you to set up a rock-solid financial foundation that allows you to weather the storms of life, live wealthy, and create peace of mind for yourself and your family. With adequate savings, you can deal with unexpected events that might otherwise create a large financial burden and decrease your freedom.

You don't necessarily have to budget to create liquidity and stability. This can be done by regularly and automatically depositing money into three different types of savings accounts:

Peace of Mind Account (short-term savings): This is an essential element of Mindful Cash Management. We recommend that you have at least a six-month supply of cash in among these three bank accounts or other liquid account. Think of this as a safety net in the

event of a cash-flow crunch, a health issue, or an unexpected financial surprise. Many people neglect to think in terms of short-term liquidity. But we never know when an unforeseen accident or career change might happen. Your short-term savings account will give you the cushion you need to handle the unexpected.

Wealth Creation Account (mid-term savings): This takes the flow of money (over a 3 month reserve) from your Wealth Capture Account, and transfers it into an overfunded life insurance policy—improving your overall interest, tax benefits, and protection. This can become an opportunity fund to capitalize on investments, grow your business, or pay off inefficient loans.

Living Wealthy Account (Value Based Spending): The purpose of the Living Wealthy, or “fun,” Account is to enhance your enjoyment in life. This account allows you to spend money guilt-free. We’ve seen people use it for things like a large kitchen remodel, a dream vacation, or an upgraded new car. This money is essential for your overall well-being, and it can positively impact your attitude toward expenses. Use your Living Wealthy Account to invest in experiences and opportunities you would otherwise deny yourself. For instance, maybe you’ve always wanted to buy courtside season tickets to your favorite basketball team, but denied yourself because of the price. Thanks to your Living Wealthy Account, you have permission to say yes to those tickets because you’ve set aside money for that very purpose. It’s your way to say, “I know I’m wealthier because of how I live, how I feel, and how I’ve taken care of myself as a great asset. I deserve to enjoy a little bit in my life.”

It’s embarrassing to look back and remember what a miser I used to be. I’m lucky my wife stayed with me despite the “broke millionaire mindset” I had for many years. We haven’t fought over money

since I created and embraced Value Based Spending. In fact, the first thing we splurged on were two first-class tickets to Switzerland and Romania — complete with laydown seats, Westin Heavenly pillow and blanket sets, Tumi gift bags, and a full multi-course in-flight meal. We're still building wealth, but enjoying our lives along the way as well.

Your attitude and methodologies around money will shape the next generation's habits and feelings on the topic. Many families never discuss the topic and leave their heirs ill prepared to carry the financial torch for the family. Arguments around money are still one of the biggest reasons people list for divorce. Most families start over each generation, with their children born into financial bondage. In rarer cases, entitled "trust fund babies" emerge from the same issues: lack of communication, intention, and framework.

Leaving a legacy that lasts is also about enjoying life along the way. Dale Clarke and his wife learned this through hard experience.

At the start of their marriage, Dale admits that he and his wife Amy had a "small vision of what we wanted to do with our life and finances." While their friends were buying big diamond rings and honeymooning at exotic locations, they opted for a small ring and a humble condo retreat thirty minutes away from home, which they had received as a gift.

They carried on in a scarcity mindset for several years, scrimping and saving, putting 30% of their income into retirement accounts, living for a future they were uncertain would even come. Spending \$10 on a gym membership was out of the question. Dale just couldn't justify the expense. He would rather see his bank balance go up by that minuscule \$10 a month than invest in his own health.

Yet, they had to admit they wanted more. Each year, Amy would say “I want to go to Hawaii.” And Dale would reply “We’ll go when we can afford it.” They had this conversation year after year.

Then Dale met Garrett. They started the conversation talking about finances, then Garrett asked, “How is your marriage?” Dale replied that it was good. Garrett’s next question was, “When was the last time you and your wife traveled together.” Dale acknowledged that Amy really wanted to go to Hawaii, but they were reluctant to take the time or money for the trip. Garrett’s reply? “I am amazed your wife is still married to you! Go home and buy the plane tickets now!”

Dale took Garrett’s advice. He and Amy were able to enjoy 10 guilt-free days of hikes, zip line tours, kayaking, and swimming with sea turtles. In addition to improving his marriage, he says, “Just standing at the head of a catamaran cruise ship, watching the wave sweep over the bow, my vision expanded. I had the goals and foresight of a broke millionaire. I was focused on living as cheaply as possible until I had my first million in the bank. It was affecting my relationships, my other experiences, and my entire view of life.”

When they returned, Dale committed to making changes. He worked on his vision, and learned that it is some of the hardest work we can do, and let go of the budgeting that restrained him from living his dreams. He broke free of the playing not to lose mindset, embraced a Win Then Play methodology, and changed his career. He now makes 10 times more doing something he loves rather than tolerates. Where he once begrudging \$10 per month for a gym membership, he now spends \$400 a

month on a personal trainer. Once he couldn't do a single pull up or bench 135 lbs.; now he can do 15 pull ups and bench 315. He has more energy to play with his kids, wakes rested, and has the drive to jump out of bed each morning.

He and his wife now seek the experiences she once could only dream about: traveling to Hawaii, Miami, Alaska, Banff, Prague, Austria, London, and Dubai. - Dale Clarke

CHAPTER ELEVEN

“Dollars Follow Value”

- Les McGuire

Most people never get a grip on their finances. First, congratulations because you have overcome the first obstacle- having the courage to face your finances and gain knowledge on what to do. The good news is you don't have to know as much as you think. There is no requirement to become an expert in the stock market, learn to trade options, know how to buy tax liens, become a real estate expert and so forth. With Investor DNA it is about your competencies, values, drivers and you focus on what you know in order to grow.

Rather than spend the majority of your time cutting back and eliminating quality of life in the name of a better future, you now have this guide and the resources provided within to implement Mindful Cash Management. **Instead of being a miser, you chose to be mindful.** Instead of delaying gratification until the day you die, you create an infrastructure to prepare for the future while enjoying life along the way- living wealthy.

The main tenants of eliminating budgeting and embracing Value Based Spending and Mindful Cash Management come down to this:

1. **Pay yourself first.** Automatically save and deliberately invest. Build your peace of mind fund (at least 6 months of personal expenses liquid).

2. **Invest in yourself.** Create conditions of abundance, creation, and expansion. Where do you add the most value and how can you develop your skills to the fullest. This is about you being able to make more money because you are your greatest asset (not a stock, bond, or piece of real estate).
3. **Manage your risk.** Set up the proper insurance, corporate, and estate planning structures. Focus on your education so you know how to mitigate risk. Use collateral, protect the downside, and most of all, protect your mindset.
4. **Plug the leaks.** Increase your financial IQ and overall savvy to save on tax, interest, non-performing fees, unnecessary commissions, and duplicate coverages or costs with your insurance. Keep more of what you make without painful budgeting.
5. **Create economic independence.** Build enough recurring revenue to cover your basic expenses so you can swing for the fences in your vision, life and business. This stability will reduce stress and create freedom.
6. **Build your team.** The majority of the game is won when the team is picked. Don't do everything yourself, utilize experts. You can't delegate your legacy or responsibility, but you can leverage expertise.
7. **Become a better investor.** Your Investor DNA will guide you in avoiding distractions and capitalizing on opportunities. Risk is not in the investment, it is in you, the investor. What type of investor are you and how can you increase your knowledge and lower your risk?

Here is the deal. With freedom from the shackles of budgeting, what will you do with your time? Have you been putting off a vacation? Wanting to launch a product? Do you have a message to share and haven't had time to write a book? Someday is now today. It is time to expand your means, create value, and take control of your financial destiny. To Mindful Cash Management and living a life that you love.

