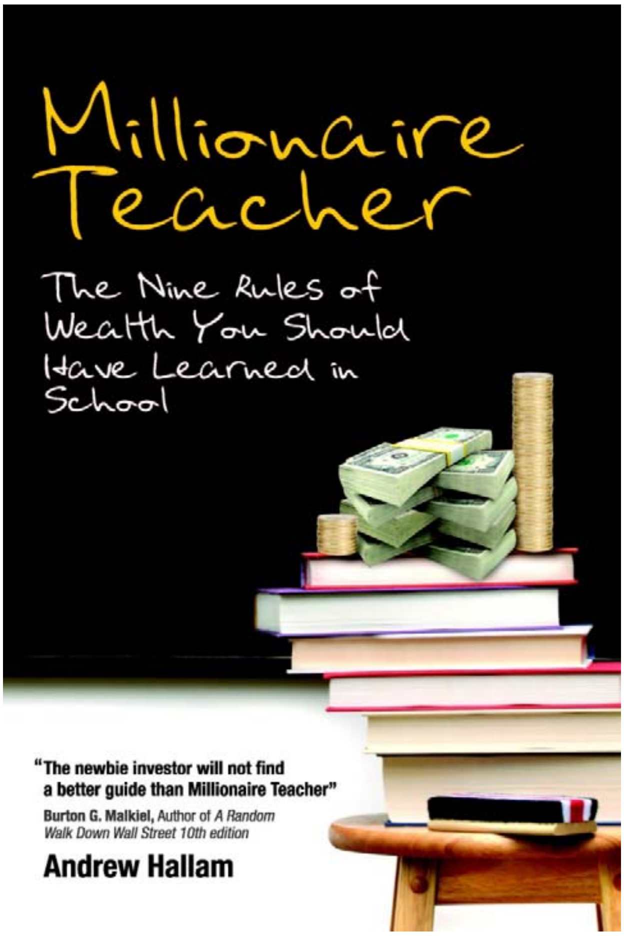
Nine Laws to Financial Freedom (Revised)

By Andrew Hallam

Available only to readers at:

www.andrewhallam.com

Andrew Hallam is the author of, *Millionaire Teacher: The Nine Rules of Wealth You Should Have Learned at School*



"Put away your check-book. Instead give this book to every young person and you will be gifting them a lifetime of financial independence and success."

Robert P. Miles, Author of Warren Buffett Wealth

"Andrew Hallam's book is just the right one for novice investors. He not only provides the winning strategy in terms of your personal financial life, but in investing as well. The book contains Hallam's Nine Rules to become a millionaire, and he has them all right."

Larry Swedroe; Author, The Quest for Alpha; Principal and Director of Research for the Buckingham Family of Financial Services

"Do you spend too much and save too little? Do you wonder why your investments always seem to roll behind the eight ball? In clear, compelling and highly entertaining prose, Andrew Hallam will explain to you exactly why and what to do about it."

William Bernstein, Author, The Investors Manifesto and The Four Pillars of Investing

Nine Laws to Financial Freedom (Revised 2012)

By Andrew Hallam

My book, Millionaire Teacher, became an international bestseller, but I didn't write it to make money. Instead, I wanted to offer evidence-based financial suggestions that people could benefit from. Many of the lessons within *Millionaire Teacher* can be found below. You could save your money and NOT buy the book.

Please read this report with the web page below. Sometimes links change, so I have created a page on my blog you can use to access the resources mentioned in this report. This will enable me to update links from a central page rather than have out dated links on this document.

Highlighted blue text has more information that can be found from this page:

http://andrewhallam.com/freedom-resources

Nine Laws to Financial Freedom

Introduction: Getting Real About Denial

When I was five years old, I received a tetanus shot in school. I bawled like a patsy but eventually learned that I wouldn't be receiving my next shot until the fifth grade. This was the greatest news ever; in my mind, grade five was adulthood, or pretty close to it. Lost in denial (with my parents' traffic warnings ringing in my ears) I figured an unseen Chevy could end everything before the distant age of ten. So why sweat it?

My Kindergarten denial was harmless, but financial denial is potentially dangerous. The odds are decent that you'll reach retirement age. I don't actually like the "R" word myself. I prefer "financial freedom" instead: the option to work--if you choose to--or lay on a hammock after a workout and a massage for as many years as you wish. If this sounds desirable, please keep reading; I'll list a few laws you could follow to increase your odds of financial success.

Nine Laws to Financial Freedom (Revised 2012)

By Andrew Hallam

Law #1: Only Fools Pay Regular Credit Card Interest

Whether you plan to eventually retire or colorfully tell your boss to shove it, you'll need some kind of financial independence. For starters, you can't be a slave to a credit card company. Such shackling makes you the credit card company's blood donor.

Some people pay credit card interest AND invest money. Doing so, however, is like heading the wrong way on an airport travelator. They're walking in one direction (so they think) while the conveyer belt takes them backward. Invest when your interest-bearing credit card bills are cleared, and not before.

The rationale is simple:

Those paying 18% interest on a credit card, and also investing money that they hope will make a 9% investment return aren't getting the biggest bang for their buck. And that's putting it nicely.

Credit cards are handy, but the balances should always be paid in full at the end of each month. Don't buy something with your credit card that you can't pay off fully by the end of the month.

Law #2 Rainy Day Money Prevents Drowning

It might tickle you with excitement to live on the edge, but most people should have enough accessible cash to live for at least three to six months. Your job is your boat and your cash reserves are your life preservers. Lose your job in a storm and there's always a life preserver to save you from a watery demise…if you remember to build a reserve of survival vests.

Law #3 Pay Yourself First

Once you're free of credit card debt, and you've established a strong contingency fund for emergencies, you should start investing a significant amount of your pre-tax income. The earlier you get started, the lazier you can be.

Law #4 Embrace Your Inner Sloth

My wife hates it when I claim I'm lazy. But laziness can be a virtue. I'm not like most people. I want to spend more money, save less money, become financially free before most people and have a decent-sized bank account. Sound delusional? It isn't. If you're young and willing to embrace your inner sloth, you can do it too.

Nine Laws to Financial Freedom (Revised 2012)

By Andrew Hallam

Meet Joe, The Non Thinker:

Joe becomes a lawyer at age 26 and starts saving for his retirement when he's 40. He socks away $2000 per month for 20 years. In total, he "saves" $480,000 ($2000 per month x 12 months x 20 years).

If he makes 8% per year on his investments, he'll grow his savings to $1.18 million. The poor guy isn't much of a thinker. To build a $1.18 million investment portfolio, he has to save $480,000 of his salary. This is tough.

Meet Tim, The Thinker:

Unlike Joe, Tim doesn't want to take $480,000 of his hard earned money and invest it. He eventually ends up working at the same law firm as Joe, making the same annual income, but Tim wants to spend more money over his working lifetime AND end up with more money than Joe. Tim's a thinker.

He started investing just $200 per month ($6.66 per day) at age 18, which he put together from the odd weekend job. From age 18 to 26, he kept investing the same amount. If he made 8% per year on his investments (the same return that Joe makes) he'll have $27,570 by age 26. But he isn't finished yet.

When the law firm hires Tim (at age 26) he starts investing $600 per month and keeps it up until he's 60.

By the time Tim is 60 years old, he would have $1.6 million—nearly half a million dollars more than Joe.

	Amount they "save"	Amount they end up with at age 60
Joe	$480,000	$1.18 million
Tim	$266,400	$1.61 million

Paradoxically, Tim saves far less than Joe, but ends up with more money. When it comes to investing, it pays to think like a lazy person. Start early, allowing your money to work hard so you don't have to. If you haven't begun investing already, remember this: you'll never be younger than you are right now.

Law #5: Be Aware When Financial Advisors Exploit

Warren Buffett, history's greatest investor, tells us to be wary of the financial service industry and invest in products called "Index Funds". What are index funds? For most financial planners, "Index" is the nastiest five letter word in the world. Say the word in front of a well-dressed advisor, and they'll fight the urge to wash your mouth out with soap. Few people enter the financial service industry with a "save the world" mission. They want to make money…a little for their clients, but more for themselves.

For this reason, most American investors are convinced to buy the index fund's less efficient cousin: the actively managed mutual fund. Selling actively managed mutual funds allows more financial planners to buy lakeside properties. But an invite to their vacation home (if you get one) is small consolation for the money you'd be relinquishing. Index funds tend to perform better, trigger lower taxes and provide fewer monitory rewards for investment salespeople.

Investment accounts (called portfolios) are comprised of more than one fund. The odds of anyone building an actively managed portfolio and beating a portfolio of indexes are lower (perhaps) than the odds of a British lawn bowler beating Usain Bolt in a sprint: not impossible, but not very likely.

Allan S. Roth, Professor of Behavioral Finance at the University of Denver's Graduate Tax Institute pegged the odds at 1% that a ten-fund investment portfolio of actively managed mutual funds would beat a portfolio of indexes over 25 years. Over a lifetime…the odds would get worse.

Odds of Actively Managed Fund Portfolios Beating a Portfolio of Indexes

	Five Years	Ten Years	Twenty Five Years
Five Active Funds	18%	11%	3%
Ten Active Funds	9%	6%	1%

Source: Allan S. Roth, Professor of Behavioral Finance, University of Denver's Graduate Tax Institute

If you're easily bored with details and you want a saint-like advisor to build you an efficient investment portfolio, scroll down a few pages to my sixth law: **Find a financial advisor with a conscience.**

Otherwise, if you're keen to read further rationale for indexes over actively managed funds, keep reading below.

Fees and the Market

Stock market index funds are similar to actively managed stock market mutual funds. For example, Vanguard's total U.S. stock market index holds thousands of stocks. And generally, nobody trades those stocks. An index is meant to hold a group of stocks, while an actively managed mutual fund is meant to trade a group of stocks. As such, there's a cost difference that can't often be overcome. The fees for the average U.S. mutual fund are 600% higher than the fees for, say, a Vanguard U.S. index. It's the industry's dirty little secret.

According to Yale University's David Swensen, 85% of single stock market mutual funds failed to keep pace with the market index between 1978 and 1998—mostly because of their high fee structure. And the good professor points out in his book, **Unconventional Success** that the 85% failure percentage is conservative because it doesn't include the poorly performing funds that ceased operations or changed their names when they blended with other funds. Nor does it include the added taxable liability that mutual funds expose their investors to, compared to index funds.

The 85% of funds that did lose to the markets lost by 3.2% per year over a 20 year study.

If you think a 3.2% annual deficit is ant-sized—check out the bite's long term infection over 50 years:

- $10,000 invested at 6.5% per year for 50 years = $233,066.79
- $10,000 invested at 9.7% per year for 50 years = $1,024,074.08

The typical professional financial planner, however, (we'll discuss the atypical planner later) will not invest your money in indexes because index funds don't pay them as much as actively managed mutual funds. In fact, the largest provider of index funds, the non profit group called Vanguard, won't pay advisors a penny. According to Vanguard's Director of Institutional Sales: "When brokers realize that they won't be compensated for putting our funds in a plan, they typically hang up on us." (Swensen 2008 p280).

Now, this is where Buffett's argument (for advisors not adding value) builds momentum. Many advisors who buy these inferior products (actively managed mutual funds) for their clients, end up charging them additional sales fees to get into these funds, additional redemption fees to get out, annual "advisor's fees" amounting to as much as 2% per year—or all three.

Again, I'm not suggesting a "Do It Yourself" portfolio. Most, if not all of these excesses, can be avoided by choosing the right advisor.

It's worth having another look at that 3.2% performance lag again.

- $10,000 invested at 9.7% per year for 50 years = $1,024,074.08
- $10,000 invested at 6.5% per year for 50 years = $233,066.79

Unfortunately, for many investors the wound turns septic when even more fees are piled on. If an additional 1% "advisor's fee" is charged, internal hemorrhaging begins:

$10,000 invested at 5.5% per year for 50 years = $145, 419.61

Now for the big question: "What if my financial advisor can find mutual funds that can beat the index funds over the long term?" First of all, even if they could, according to researchers Robert D. Arnott, Andrew L. Berkin and Jia Ye, the mutual funds that have beaten the market indexes only added a further winning margin of 1.3% per year (*The Journal of Portfolio Management*, summer 2000, Vol 26, No4, 86).

Secondly, nobody has proven, with consistency, that they can find index beating mutual funds. It's easy to find those that have beaten the indexes in the past, but those performances don't prove to be sustainable. When I personally attended Warren Buffett's 2005 shareholder meeting in Omaha, he threw a gauntlet to the 24,000 attendees: "I'll bet that nobody in this room can name ten mutual funds today that, as an aggregate, will beat the after tax performance of the S&P 500 index over the next ten years." With some of the world's smartest financial people in attendance, the crowd sat quietly—knowingly. (Note—Buffett tossed out a similar "challenge" regarding Hedge Funds the following year, and **the challenge** was accepted.)

Princeton Economics professor, Burton Malkiel (author of **A Random Walk Down Wall Street)** created the following scenario to prove the point that it's practically impossible to find mutual funds that, going forward, will beat the returns of index funds. Imagine that it's 1980. You have decided to prudently find the top performing mutual funds from 1970 until 1979. And when you find what they are, you buy the best 20 performing funds. Unfortunately, in the decade that followed, you would have (as an average) underperformed—not only the U.S. index, but the average U.S. mutual fund as well. The past Emperors of the mutual fund industry, it appears, lose their robes.

The same revelation occurred when he assumed that you had bought the top 20 funds of the 1980s. In the decade that followed, they disappointed investors, dropping their shorts to the U.S. index. And the 1990s? It was no different. Those funds proved less endowed the following decade, underperforming the average mutual fund's performance and proving to be disastrous when juxtaposed with the total U.S. stock market index.

How does this relate to you? I want to illustrate that whether you choose your own mutual funds to invest in, or whether you ask an advisor to do it, you'll likely get spanked by portfolios of market tracking index funds.

In case you're thinking that a 3.2% annual shortfall sounds dramatic, David Swenson, the superb investor who heads Yale University's endowment fund, suggests that in a 15 year study, 96% of actively managed mutual funds failed to match the performance of the U.S. market index—by a whopping 4.8% per annum, after all taxes and expenses.

There's a fund-rating agency called **Morningstar** that rates mutual fund performance based on past track records. Then they award them a series of stars—four or five star funds being the best. If you think you can avoid underperforming the market by doing your own research on top rated funds, you might want to think twice.

Burton Malkiel's premise that it's practically impossible to pick top performing mutual funds ahead of time holds true in Mark Hulbert's study as well: "A mutual fund portfolio continuously adjusted to hold only Morningstar's five star funds earned an annual return of just 6.9% between 1994 and 2004, nearly 40% below the 11.0% return on the total stock market index," explains John Bogle, citing Hurlbert's study (John Bogle, ***The Little Book of Common Sense Investing***, p90).

Don't forget that you can buy low cost, tax efficient index funds, while being advised by someone charging a fraction of what most other people pay for investment guidance. This strategy is endorsed by Warren Buffett himself when he says, "Most investors, both institutional and individual, will find that the best way to own common stocks is through an index fund that charges minimal fees (Lawrence Cunningham, ***The Essays of Warren Buffett***, 2001 p100).

Academics have been shouting this message from the rooftops for years. And this next part might sound hard to believe. But more than half of American mutual funds are accompanied by further albatrosses, in the form of sales loads charging fees as high as 6% just to get into them. You might actually own some of these. If a financial advisor is particularly greedy, they'll sell you funds that charge money for early withdrawals. What's early? Up to seven years. No, these aren't taxable penalties, they're an advisors' attempt to keep your money where he or she can generate trailing commission fees---and if you sell before a seven year period, they can eat up to 7% of your rations. These extra costs don't even go into the underperformance equations I previously cited.

Nobody should buy mutual funds that charge sales fees. If you pay a fee of 5.75% to get into a fund, then you have to make 6.1% the following year, just to break even. Dr. William Bernstein, who is regularly quoted by *The Wall Street Journal*, *Barron's*, *Money* and *Forbes,* puts it bluntly in his excellent book, ***The Four Pillars of Investing***. Pertaining to sales loaded mutual funds, he asks, “Who buys this rubbish? Uninformed investors. Who sells it to them? Brokers, investment advisors, and insurance salesmen. Is it illegal? No. But it should be” (Bernstein 2002 p204). His lividness stems from the fact that the average “load fund” (funds with sales charges) actually performs worse than the average “no load” mutual fund (Bernstein 2002 p204).

Many of the best financial minds in the country have caught on to the benefits of index funds over all other funds. And it’s evident when examining the biggest pension funds. According to Dick Davis, author of ***The Dick Davis Dividend***, the Washington State pension fund has 100% of its stock market assets in stock and bond indexes, California has 86%, New York has 75% and Connecticut has 84% of its stock and bond market money in indexes (Davis 2008 p4). Of the pension funds that aren’t in index funds, more than 90% of them are underperforming an indexed portfolio of stocks and bonds (Bernstein 2002 p86).

For further reading on the superiority of index funds over actively managed funds:

- *Millionaire Teacher*, by Andrew Hallam, Wiley, 2011
- *The Elements of Investing*, by Charles D. Ellis and Burton Malkiel
- *The New Coffeehouse Investor*, by Bill Schultheis
- *The Smartest Investment Book You’ll Ever Read*, by Daniel R. Solin
- *The Quest For Alpha*, by Larry Swedroe
- *How A Second Grader Beats Wall Street*, by Allan S. Roth
- *Random Walk Down Wall Street*, by Burton G. Malkiel, 2003
- *The Bogleheads*, by Taylor Larimore, Mel Lindauer and Michael LeBoeuf, 2007
- *The Four Pillars of Investing*, by William Bernstein, 2003
- *The Lazy Person’s Guide to Investing*, by Paul B Farrell, 2004
- *The Little Book of Common Sense Investing*, by John Bogle 2007
- *Unconventional Success*, by David Swenson 2008

Law #6 Find a financial advisor with a conscience

Finding a good financial planner can be as tough as scooping a rainbow trout from a pool of piranhas. References from non-financially educated clients will be useless, so it’s very important to know what you’re looking for.

To begin, there’s no reason to buy a “load fund” which charges a sales fee for an investment product. As quoted in the American Association of Individual Investors Guide to the Top Mutual Funds: “Funds with loads, on average, consistently under perform no-load funds when the load is taken into consideration.” Advisors choosing loaded funds are looking for whale-like commissions at your expense.

Nine Laws to Financial Freedom (Revised 2012)

By Andrew Hallam

A portfolio of diversified indexes will almost certainly outperform a portfolio of actively managed mutual funds over time. If your advisor tries talking you out of this reality, it's time to find someone else. Advisors get paid based on "trailer fees" for the products they sell. And index funds from companies like Vanguard don't pay incentive fees to brokers or advisors.

Watch out, also, for advisors who charge high asset based advisor's fees. If your account is valued at, say, $100,000, and your advisor charges 1.75% on assets (a fee my wife once paid Raymond James Financial) this means that they silently remove $1,750 from your account that year—whether you make money or not. Such bleeding will occur each year and the money will be lost forever. You've seen how small percentage points can make a big overall difference in your account. Avoid such advisors.

On the bright side, there are certified advisors who charge one-time fees to offer advice. Many prudent people ensure that their advisors don't sell financial products at all—distancing themselves from any conflicts of interest. As such, these advisors charging one-time fees are those most likely to advise purchases of "no load" mutual funds and index funds. Unlike most financial planners, they aren't entitled to receive sales fees or mutual fund trailer fees; they're looking after your future with fiduciary care.

- For Americans, the company **Vanguard**, offers low cost index funds, employing salaried advisors you can hire on an annual basis to guide you. And if your account value exceeds $250,000, their advisory service is free.
- If you have an address in the U.S. (regardless of where you work) you can open an account with Scott Burns' company, **Assetbuilder**, which specializes in creating portfolios of indexes for investors. They're happy to help if you have a minimum of $50,000 in assets…or if you can convince them that you're a big saver.
- Americans could do something similar with **RW Investments**, based in Maryland. But with Robert Wasilewski (the company founder) there's no minimum account size requirement.
- If you're British, and looking for a similar option, HSBC has a wonderful offering, which I wrote about for the ***Save the Student*** blog.
- For Canadians, you can find some great options on the **Canadian couch potato** blog.
- Expatriates in Singapore can see how to construct such portfolios by visiting the **expat-investing section** on my blog.

Nine Laws to Financial Freedom (Revised 2012)

By Andrew Hallam

Law #7: When Falling Stocks Are Better Than Rising Ones

If you're retired, a rising market should make you happy. You're likely withdrawing from your investment account, and a rising market assures that you won't deplete your resources. But if you're going to be working, and putting money into the markets for at least the next five years, you need to hope for lower market levels.

Warren Buffett says that many investors don't think correctly about market prices: "Only those who will be sellers of equities [stock market investments] in the near future should be happy at seeing stocks rise (Cunningham 2001 p71). Think of the stock market the same way you think about buying groceries. In a dozen years, you can be certain that you'll pay more for your groceries. The same premise should hold true for the stock market as well.

If your supermarket has a sale on non-perishable groceries, don't you want to load up on the discounted products? Of course you do. But too many people shun the stock supermarket when its products are on sale, and they celebrate when they can pay higher prices.

The sooner you embrace the concept that cheaper prices are good for purchasers, the better. Most investors sabotage their investment results when they react to what the markets are doing.

For example, let's assume that your neighbor bought a mutual fund called "ABC Fund". He added money periodically to ABC Fund for 10 years. And let's assume that this fund made 10% per year, as an average, over 10 years. You'd think that your neighbor would have annualized 10% on his money, right? But if he accurately represents the average person, he wouldn't have made this return. His returns would have been nearly 3% below that 10% return, based on John Bogle's 25 year study (Bogle 2007 p51).

I've already demonstrated how damaging a 3% lag can be over time. But why doesn't this guy end up making 10% if his mutual fund (or index fund) made 10%?

In essence, when the markets are rising, the average person puts more money into their stock market funds. And when the markets are falling, they cease to buy, sell, or reduce their purchases. This is the opposite of what investors need to do. The old maxim, "Buy low, sell high" is actually practiced in reverse by most people.

If you deposited equal amounts into your funds, religiously, each and every month, you'd surely generate returns that would equal the reported fund returns—as long as you weren't paying sales fees. And if you're disciplined enough to "be greedy when others are fearful and fearful when others are greedy", as Warren Buffett suggests, you can even outperform the funds that you're investing in by buying more aggressively when the markets are getting hammered.

To read more about Buffett's philosophy online, you can check **CNN Money website** or read Lawrence Cunningham's excellent book, ***The Essays of Warren Buffett***.

Law #8: Bonds Aren't For Wimps

Bonds aren't sexy, but they should be a part of everyone's portfolio…always. A bond is a loan that you make to a corporation or a government and they pay you annual interest on that loan. Government loans are the safest. Bonds don't fluctuate in value the way stocks do, and they're a solid, more predictable component of a well diversified portfolio. If you prefer bank CDs to bonds, that's fine.

As we get older, we want a higher level of predictability with our investments. Once you're retired, you won't want the value of your nest egg swinging wildly with 100% exposure to the stock markets. You could choose to have a government bond exposure that roughly equates to your age.

For instance, a 30 year old would have 20-30% of her money in government bonds, while a 60 year old would have 50-60% of her money in bonds. This is a generally accepted principle of responsible portfolio allocation—adding further stability as the person nears—or is in—retirement. Some investors might find this method too conservative, but they might want to question whether the added risk of not adding bonds is worth taking. And they might also want to examine how much better a risky portfolio (100% stocks) would be over time.

If you had invested your portfolio 100% in a U.S. stock market index from 1973 until 2004, without a single bond index or bond fund, your annual return would have averaged 11.19% per year.

And if you had invested 60% of your money in stocks, and 40% in bonds, you would have averaged 10.49% per year. Overall, you would have been rewarded for taking on more risk, with the 100% exposure to stocks, but is a 0.7% annual advantage really worth it? You can be your own judge of that.

A quick check on the **American Funds website** reveals that their average U.S. based fund dropped more than 30% (during the economic crisis) from May 31, 2008 to May 31, 2009. When you're down 30%, you have to gain 43% just to break even. It's interesting math. If you're down 50% in one year, you have to gain 100% the following year, just to break even. If you were 55 years old, and hoping to retire in a handful of years, losing 30% could be devastating.

But if you were 55 years old, and had only 45% of your money exposed to the U.S. stock market instead, you would only have been down about 12% during the same one year time period. You'd only have to gain 13.6% to break even. You'd have your back against the lamppost, but you'd be fully clothed, and your feet would still be on the ground.

If you're still comfortable taking higher risks for only slightly higher return potential, you might consider this: the U.S. markets didn't move from 1965 until 1982. For 17 years, the stock market didn't appreciate (note-dividends would have roughly kept pace with inflation). If that happens again, after a retiree or near-retiree loses 25% to 30% of their portfolio, they're going to be hurting when they need that portfolio to cover living expenses.

When we're young, we can afford to take greater risks with our money, exposing more of it to the vicissitudes of the market, but when we're older, we require more stability and predictability as we rely on withdrawing funds from our retirement portfolio.

Law #9: Start with a Map or Risk Getting Lost

I work with some people who spend everything they make: they're smart…but not with money. What's worse, they have no idea how much money they need for their financial freedom. This "expect the best but leave the map at home" is crazy. Fortunately, there are steps to rectify that.

First, figure out how much you would require to live on if you were retired today. This number differs for everyone, so you need to figure it out yourself, based on your lifestyle and location.

The second step requires that you examine inflation. Over the past 100 years, inflation has averaged roughly 3% per year. If you hope to retire 10 years from now, you need to know how much money you'll require, annually, 10 years in the future.

Assume that you can live on $30,000 per year right now, not including work related costs: professional clothing, transport, lunches out etc. For our first example, we'll assume that you won't qualify for social security or a pension, and that you'll choose not to work part-time during your retirement.

If you want to retire 10 years from now, that $30,000 will need to be adjusted for inflation at 3% per year. Today, that $30,000 would have the buying power of $40,317, ten years from now, thanks to inflation. You can work out your inflation adjusted amount by using the **compound interest calculator at MoneyChimp**.

As a retiree, it's suggested that you not withdraw more than 4% of your overall portfolio each year. In this case, if you required income of $40,317, 10 years from now, you would require a portfolio of $1,007,925. Four percent of $1,007,925 is $40,317.

Nine Laws to Financial Freedom (Revised 2012)

By Andrew Hallam

Considering that the markets have made roughly 10% per year since 1926, we may be able to expect something similar in the future. However, the markets may not perform as well as they have, historically, and considering that you should have a government bond allocation which is equivalent to your age (bonds have lower long term returns than stocks) it might be prudent to expect a long term return of 8% on your money.

Play with the compounding interest calculator again, and you can see how much money you'll need to invest to arrive at this hypothetical $1,007,925, ten years from now.

If this person had a portfolio of $425,000, ten years from their retirement date, and if they added $10,000 a year for ten years (at 8% per year) they'd have $1,073,998 upon their retirement.

Those might be daunting sums of money. But people receiving social security or a pension will require a significantly smaller portfolio.

Even if this hypothetical investor could expect just $15,000 a year from a pension or social security, they could achieve their future income goal (of $40,317 per year, ten years from now) with an investment portfolio of $632,925.

With assisted income of $25,000 a year (from either social security, a pension and/or a part-time job) a person could make up the difference with a portfolio of $382,925.

To conclude, there's no single key to investment fortunes, but we can put the odds in our favor. Buy what you can afford, including a house that you can render mortgage free before you retire. And use academic probabilities to protect yourself from an ever-growing self-serving army of advisors that want to build their own American Dream at your expense.

End Note: Further Suggestions

- For a more detailed understanding of the above, read my book, ***Millionaire Teacher***.
- Read the reviews for the Millionaire Teacher by **readers** and **professionals**.
- Would you still like to learn more? There are **investment book suggestions** on my blog.
- To keep up with my latest writing, **visit my blog** regularly.
- **This is a free report, feel free to send it to anyone who you feel might benefit.**
- If you received this report from a friend, please make sure you get the **most recent version.**

When you read this report use this online Resources page for additional information:

http://andrewhallam.com/freedom-resources