Wealth & Wisdom

INSTITUTE

ELIMINATING LOSING FINANCIAL STRATEGIES

The Thought Process

Changing Traditional Financial Thinking

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If Something You Thought To Be True, Wasn't True. . .

It is difficult to get the right solution when you start out with the wrong premise. If we center ourselves in a false belief system, we become what we believe. An example of that false belief system existed until 1954, just about 600 months ago. It was common belief that no human could run a mile in less than four minutes and live to tell about it. Medically, it was believed at that time that to attempt to run a mile in less than four minutes would bring about certain disaster to the human body. No one in the history of mankind was ever timed running a sub-four minute mile. . . no one, that is, until Roger Banister. On a sunny Saturday morning, the young Englishman defeated a belief system and certain death by running one mile in 3:59:40. Now recently, record performances in the mile have been run in 3:47:48, and 6 to 10 times daily someone runs a sub-four minute mile.

The real lesson here is that our lives are shaped by this simple fact: We become what we believe. Financially, we assume things to be true that are not, simply because others told us they were true. Many financial organizations stand to profit from these misconceptions, since they create a fear that if you don't use their services, you will fail. Their real fear is that you don't need them. They're the ones who created the idea that change is bad.

Become A Table Dancer

Go home, walk into your kitchen, what do you see? You have probably been in that room thousands of times. Now do something different, stand on your kitchen table. Look around. You will see the room from a different perspective. You will notice things you have never seen before even though physically, nothing has changed. I want to challenge you to stand on your table of knowledge about your finances. Take a new look around. Now, do you see things differently? Without more knowledge and different perspectives about what you are doing financially, possibly not. But by learning new ideas and concepts about money, your view will change. If something you thought to be true wasn't true, when would you want to know about it? Right away? It still amazes me that some people continue down the same path, knowing it was wrong for them but refuse to change because they would have to confront their mistakes. But the decisions to follow these losing financial strategies were based on limited knowledge. Had they been given more knowledge, their lives would have changed. In order to change, we must study how, when, and where we received all of our financial knowledge.

We can learn a lot about what we know about finances by studying where we get our information. First, we learned from our parents, who learned from their parents and so on and so on. From our parents we learned the basic principles of saving money, but these lessons were loaded with an enormous amount of fear. Going back two generations, we see that their experiences of stock market crashes, bank failures, business closings, massive unemployment, depression, families losing homes and farms, and world wars left very little to be positive about. People living in this era were in the survival mode because there was no other mode to be in. What, if any, positive lessons were branded into their kids? Work hard, save what you can, and pay off your house as fast as you can so you don't lose it.

The next generation cherished their hard earned lessons, fought off a couple of wars, and came home to raise families with a new reassurance that the government would provide Social Security - a retirement income for them. Unions became forefront in industry, adopting ideas from the railroads and establishing retirement benefits for workers. There was great expansion in American society. The new learned financial lesson: Don't worry we will take care of you. If you can't take care of yourself, don't worry, we will help provide for you (social programs). This was great, but it created dependency. Lessons learned? Finish high school, get a good job with benefits, and pay the house off as soon as you can. By the time my generation came along, the lessons were go to college, get a good job with benefits, save what you can, pay off your house as soon as you can, and retire early.

The generation we are now producing has some real financial lessons they can sink their teeth into: Have your parents pay for college, complete a four year degree in six years, get a job you like, live with your parents as long as you can, encourage your parents to pay off their house and accumulate a nice retirement fund, and then commit them into a home as soon as you can and take over their money. Oh, I forgot, retire now and become a day trader.

Of course, to some extent, I'm kidding . . . or does some of this sound familiar? Did I forget to mention all those great financial lessons the banks taught us, all those money saving lessons from the government, all those hours accountants spent teaching how to create wealth? How about the money lessons in personal finance classes in college? All you got when you graduated was a lot of debt and an unbalanced checkbook. Ahh, success! With all that financial support you get from these groups, you can count on one thing: controlled failure.

To become successful financially, all you have to do is shed some of the historical bias which we have been branded with. The solution is a thought process not a product purchase. We will teach you new concepts and knowledge so you can make better financial decisions. You will have a defining moment in the way you think about money. Are you willing to change?

Establishing Your Banks

One of the goals is to help you see the transfers of wealth that you are involved in. These transfers could cost you hundreds of thousands of dollars. If you have the ability to save that money instead of giving it away, it would dramatically change your financial picture. In going through your finances, when we eliminate or reduce these transfers, you <u>will</u> save money. Since most of these transfers occur on a monthly basis, any money you save will be on an ongoing basis. The task of finding these transfers and reducing or eliminating them takes some time. Some changes may be necessary, but don't panic.

You must stay committed to completing this task. Remember you will not spend one more dime than you are already spending.

Once we find your savings, I will refer to these savings as "banks." These "banks" are pools of money that you now own. When I refer to your "banks," I'm not talking about a physical, brick and mortar building. I'm talking about a pool of money that you will use strategically, for the rest of your life. It will not be uncommon to create two or three "banks" or pools of money for one person. Each "bank" that is created will have different characteristics. Some "banks" will be tax-free, some will be tax-sheltered. However, all of these "banks" will create liquidity, use, and control of your money. We want your "banks" to be very efficient.

Generational Banking

These techniques are not limited to just the parents of a family but also the grandparents. Gifts to minors has been a popular option for grandparents to give money to their children or grandchildren. Creating personal "banks" between the grandparents, children and grandchildren really opens up some financial doors that could prove to be very valuable. If the grandparents are financially secure, they too may discover a defining moment in their approach to money that they were going to leave to their families anyway upon death. You don't have to die to do this.

Identifying The Transfers Of Your Wealth

To build the equity in your banks, we will be discussing the transfers of your wealth that occur everyday. Learning to identify your transfers is important. I will be discussing the most common transfers of wealth that many people face. When you recognize a transfer that you may be currently experiencing and how to reduce or eliminate it, you will be surprised. You will experience that defining moment in the way you think about money. Finding the transfers is only the first step. Building upon your savings is the second step, learning to utilize your savings is the third step, and replacing the savings after using them is the final lesson. By learning this cycle, you will create the velocity of money. This is a technique that banks, lending institutions, and credit card companies use everyday to transfer wealth from you to them. I personally have used my banks to purchase cars, take vacations, pay for education, help my children get a start in life, buy furniture, and make home improvements. I have always paid my banks back so the pool of money is always there when I need or want it.

Major Transfers Of Your Wealth

In your everyday existence, you are confronted with transfers of your wealth. You continuously, unknowingly and unnecessarily, give or transfer money away. Not only do you give this money away but you also lose the ability to earn money on that money once it is transferred. This compounds your loss. To eliminate or reduce these transfers, you must first learn to recognize them and then understand how directly or indirectly they cost you money. You may have to confront conventional financial wisdom. Remember, the ones giving you these financial programs tend to profit from them. Always ask, who would profit from these transfers? Here is a list of the transfers of your wealth we will be discussing:

- Taxes
- Qualified Retirement Plans
- Financial Planning
- Disability
- Credit Cards
- Tax Refunds
- Owning A Home
- Life Insurance
- Purchasing Cars
- Investments

These ten transfers can create financial losses for you. You should study each one and determine how they will affect you. On the surface, the transfers seem pretty basic. It is not until you think a layer deeper that you find that these transfers may cause unintended consequences in the future. The future demographics of the country will affect everyone's financial future.

Lost Opportunity Cost: The Forgotten Factor In Financial Calculations

The definition of Lost Opportunity Cost (LOC) is this: If you spend a dollar, not only do you lose that dollar, but also the ability to earn money from that dollar. To give you an example of Lost Opportunity Cost (LOC), let's use the example of the cost of a wedding. The first lesson you must learn and remember is the mathematical Rule of 72. It works like this: If you can get a 10% rate of return, your money will double every 7.2 years. If you get a 7.2% rate of return, your money will double every 10 years. This equation will come in very handy from here on out.

The S&P 500

Let's take a look at a wedding. If you have ever planned one of these things, the first thing you must do is narrow it down to your closest 500 friends. I call them the special and privileged 500. Invitations, caterers, banquet halls, photographers, video photographers, entertainment, limos, wedding dresses, and fifty other things I can't remember push the cost close to the budget of a small city. Let's say the first down payment is $20,000. Let's also assume the bride and groom-to-be are 25 years old. If we use the Rule of 72, that $20,000 would double its value every 7.2 years if it earned a constant 10% rate of return. Watch how the values grow. . .

Age at 10% earning rate	Values	Age at 7.2% earning rate
25.0	$ 20,000	25
32.2	$ 40,000	35
39.4	$ 80,000	45
46.6	$ 160,000	55
53.8	$ 320,000	65
61.0	$ 640,000	75
68.2	$1,280,000	85

Now that you can see how the Rule of 72 works, let's take a look at Lost Opportunity Cost (LOC). If the $20,000 could have grown to $1,280,000, the LOC would be the difference between the $20,000 you spent and the $1,280,000 it could have become if you hadn't spent it. The future value of that $20,000 would have created substantial wealth if it had not been spent. The lost opportunity cost on the cost of the wedding is $1,260,000 (Lost Opportunity $1,280,000.00 minus Cost $20,000.00). Now that's a wedding!

Any purchases or transfers of your money via taxes, interest rates, fees, etc., create lost opportunity costs. Would it not be a wise decision to eliminate or reduce as many of these transfers as you can? In reducing these transfers you can truly watch your wealth grow. You can keep more of the money that you were unknowingly and unnecessarily giving away. Remember, in our example of the wedding couple, every dollar saved would grow to $64 by the time they were 68, assuming a 10% earnings rate.

This leads me to the next definition. The power of your money is useless unless you have liquidity, use, and control (LUC) of it. It's not where your money is deposited that is important, rather it's what you can do with it that is. There are so many vehicles that tie up our money: Mortgages, qualified plans, and instruments of debt. Whenever possible, you want your money to be liquid. *Liquidity* means being able to get your money whenever you want, without penalties or fees. *Use* of your money means being able to use your money any way you want. *Control* of your money means you don't have to go through a third party to get your money. I can best explain LUC by saying it will create options and opportunities for you, now and in the future. If an opportunity comes your way and you have no money to take advantage of it because all your money is tied up and not liquid, well, that is truly unfortunate. Do opportunities ever wait for you? Rarely. You must be financially ready. If you're not, you're at the mercy of lending institutions.

Now That's An Ugly Baby!

In order to make solid financial decisions, it is important to be able to recognize the difference between opinions and facts. If you have ever been to a maternity ward and viewed the newborn babies, I bet you can pick out one that in a cute way, is sort of ugly. The thing is, you will never be able to convince the mother that her child is ugly. You see, one's opinion can sometimes outweigh the facts. If we have done a chore the same way our entire lives, we believe that our way is the only way to do that chore. Does being comfortable with things we do make it a fact that it is the best way to do it? No, over a period of time we simply create an inability to change. To give you an example, I believe my father had four kids just to change stations on the TV for him. I know he was the last person in the U. S. to buy a remote control for his TV. Even then, my mother believed that if not properly aimed, you could break things or knock pictures off the wall with the remote. I even caught my dad aiming it at my mother once.

The fact is that people don't know the facts. In finances, some may believe that stuffing the mattresses full with money is the best way to save. To them, it's the only way they know to save, so it becomes a fact. I think their savings could go up in smoke, but that's only my opinion.

Give Me A Shovel

As a society, we are given so much information it is almost impossible to decipher between opinion and fact. There is an enormous amount of misinformation that has been passed on, passed down, or advertised that is not fully the truth or fact. We receive bits and pieces upon which our decisions are based. When it comes to finances, misinformation or half truths may lead us down a path toward unintended consequences. You must learn to dig A LAYER DEEPER. Every one of your financial decisions creates opportunities either for you or others. Unfortunately, it's usually the latter. The process of learning to think A LAYER DEEPER will create more wealth for you by reducing the money you transfer to third parties. In thinking a LAYER DEEPER, you will use your newfound tools of knowledge, the Rule of 72, LUC and LOC to uncover the information you need to make better financial decisions. How will these decisions play out when it comes to the demographics of the country? Is this the right decision for you? YOU ARE NOW STARTING TO THINK FOR YOURSELF, INSTEAD OF BEING TOLD WHAT TO THINK. It's not difficult. What is difficult is being able to decipher opinion from fact, myth from reality, without the proper use of common sense and knowledge. The lack of knowledge is your largest wealth transfer.

She Only Drove It To Church On Sundays

More often than not, we make decisions based on what we know, whether we know a lot or very little. We rely on the information that is given to us by others to help us make these decisions. Many times, when something is sold we are told the positive aspects of the sale item. The seller stands to profit and, unfortunately, any negative aspects of the sale will be underplayed. The seller's intent may be honorable but you must understand how to decipher what isn't said. That comes with knowledge. You see, many people have thoughts but don't know how to think. What effect would it have on a buyer if the used car salesperson said, "She only drove the car to church on Sundays," only to find out later that after church, she had to have the car towed back to her house every week? Without all the information, the sales person deprived you the opportunity to make well thought-out financial decisions.

Your Need To Know
Confusion Between Opinion And Fact

As I said before, some people have thoughts, but don't know how to think. It's hard to get the right solution when you start out with the wrong premise. We have been told very little when it comes to transferring our wealth away unknowingly and unnecessarily. The government professes to have your best interests at heart. If they did, don't you think they would sponsor infomercials every week on how to greatly reduce your taxes? I'm sure they could do that if they wanted to. But why should they? They are in the business of collecting taxes. Do they have your best interests in mind? Does the 47,000 pages of tax code affect your need to know? Do banks sponsor infomercials about reducing the interest that they charge you? NO. Does your accountant spend hours and hours with you teaching you how to be efficient with your money? NO. Why won't these groups help you do this? Because there is no money in it for them and it would affect the amount of money they can collect from you. Do you think they want to control YOUR NEED TO KNOW so they can increase their profits on tax revenues? YES! Do these people give us financial advice? YES! Does something smell funny here? Think about it. Do you think the government, banks, and accounting firms are interested in financing your future or theirs? There could be a conflict of interest here.

A Real Work Of Art

Picture a little Mexican boy dressed in a sombrero and poncho, tattered and worn. He is sitting on a log, shoeless, dirty, with a somber look on his face. Our first impression might be poverty in Mexico. Now, if you were able to enlarge the picture around this little boy, you would find out that he is a little boy playing with his friends in Central Park. Often we are given only a glimpse of the financial picture we should see. If given the opportunity to see the whole picture, we might come up with different financial conclusions. Unfortunately, others are determining what you should see. Not being able to see whole pictures may cause unintended consequences for you in the future.

Dumb And Dumber

Every step of our education has been centered on what to think, rather than how to think. We have been dumbed-down as a society. When it comes to finances, the less we know, the more we are exposed to misinformation. All the financial information that is available to us today has created some wealth, but has also created a debt-ridden society with record numbers of bankruptcies. Where are the financial lessons and who is teaching them? Are we getting the whole story? The solution is the understanding that knowledge is power and you must learn concepts that put you in control of your financial future.

Crystal Ball For Sale

I'm going to step out on a ledge here. I really don't believe in the way financial planning is being sold to the American public. That's not to say I don't believe in financial planning, I just don't believe in the way it is being packaged, marketed, and sold. There are some great people in the industry that do tremendous, honest work. There are also many who call themselves financial planners who are about as smart as a bag full of hammers. In a world full of "wanna-be's," the title *financial planner* has been bounced around more than a beach ball at a rock concert. Their solution to your financial future is based on the sales goals of their companies. Their assumptions and recommendations are less accurate than a six year old predicting the weather. Yet they produce 15 pages of numbers, charts, and graphs in multiple colors that looks as if they are really serious about what they do. The problem is, by the time the ink is dry and reviewed by the victim, I mean client, the numbers are wrong. The second problem is that there is no knowledge in that report, just assumptions and guesses at future results. If someone broke the crystal ball, we would have to rely on knowledge and there is very little of that floating around. Understanding the future demographics we must face, knowledge about liquidity, use, and control of your money, lost opportunity costs, why you aren't being told what you need to know, and the difference between opinion and fact will shape a new foundation in the way you think about finances. None of these lessons will be found on a page full of numbers and graphs. Just as buying a couple of investments from a financial planner doesn't solve all of your financial problems.

Who's The Boss Here?

I learned a long time ago that the situation you confront is always the boss. You face different challenges everyday, but in most cases you have the knowledge and flexibility to conquer them. Without knowledge and flexibility, your problems will control you and you will no longer be the boss of those challenges. This is true of your finances also. You need knowledge that will create options, in order to stay in control of the never ending changes in your financial landscape.

It's Not As Hard As It Looks

Many times planners make things much more complicated than they need to be. The first step in getting a grasp on your finances is to understand there are only three types of money - lifestyle money, accumulated money, and transferred money.

Lifestyle Money

Lifestyle money is the amount of money needed to maintain your standard of living. The house you live in, the cars, vacations, the country club, all the comforts you are accustomed to. You work really hard and deserve some affordable quality of life. You are very aware of this type of money because you live with it everyday. All of your financial decisions are based around your lifestyle or standard of living. Everyone I know would like to improve their lifestyle for themselves and their families. If you live above these standards, you run the risk of overbearing debt and some future unintended consequences with your accumulated money.

Accumulated Money

Accumulated money is money you save in vehicles such as savings programs, retirement plans, and bank savings. It is here, in accumulated money, where almost everyone's attention is focused. Banks, financial planners, investment brokers, financial magazines, news articles, and those who consider themselves a financial wizard are active in this area. Confusion reigns supreme here. Trying to separate the opinions from fact, the myth from reality, and the truth from fiction is an impossibility. Misinformation and slight of hand are used as tools of the trade and sound bites make good headlines. Greed and ambition motivate individuals and corporations to forego the truth whenever it is convenient and profitable. Enron, Arthur Andersen, WorldCom, and Kmart are just a few examples of the lengths some will go to succeed, at the price of others.

Yogi Berra said it: "The future isn't what it used to be." He's right. In your accumulated money, it is important to get good, sound financial help. Having someone who understands the transfers of your wealth, demographics, LUC, and LOC is a must. They will be skilled in the area of reducing or eliminating transfers of your wealth that you make everyday, unknowingly and unnecessarily.

Transferred Money

The third type of money is *transferred money*. We transfer most of our wealth away every day, unknowingly and unnecessarily. Transfers appear in the form of taxes, interest rates, fees, finance charges, maintenance fees, management fees, etc., etc. The recipients of these transfers are the Federal, State, and local governments, banks, loan companies, mortgage companies, and investment companies. We will be discussing some of these in detail, but for now understand that transfers consume a lot of your money. Understanding this third type of money is the secret. While everyone is focusing on accumulated money, the answers to increasing your wealth lay hidden in your transfers. Here you can create more wealth without spending a single additional dime or facing any market risks. We can recapture some of that transferred money, and use it to finance your future and increase your standard of living.

Three Types

All of the money you have ends up in one of the aforementioned three types: Lifestyle; Accumulated, or; Transferred. A common goal of almost everyone is to have their wealth grow. Unfortunately, when we increase our incomes, improve our standard of living, and save more money for the future, we also trigger some unintended consequences. As we experience growth, we also increase taxation and the possibility of greater taxation down the road. Even increasing our savings for retirement will create greater amounts of taxation. It seems every time we try to save a dollar, we will have to give another dollar away.

While expanding our standard of living, we purchase new homes, cars, televisions, and furniture mostly on credit, which creates greater amounts of debt and higher interest payments transferred to others. Let’s face it, almost all our purchases are depreciating assets. When you drive the new car off the showroom floor, its value drops 30% and continues to drop in value year after year. Your new home may increase in value, but it is surrounded by transfers in the form of interest rates, property tax, school tax, water and sewer tax, maintenance, and comfort improvements.

Banks and credit companies look at this as, “a dollar for you, a dollar for me” opportunity. Unfortunately, with the exception of mortgage interest, debt interest is not tax deductible. If you had the opportunity to recapture some of these dollars you are transferring to others, would you do it? Absolutely! But most people don’t know how. No one is teaching you how to do it, with reason. If a bank taught you how to reduce interest payments, they would be lowering their profit levels, so they are not going to do it.

The problem of increasing your standard of living creates the unintended consequence of increasing your money transfers. Some people would look at the problem of debt by simply paying cash for something, thinking they will eliminate interest transfers to the bank. Here lies another hidden problem. If you’re 40 years old and pay $5,000.00 cash for something, not only do you lose the $5,000.00, but also the ability to earn money from that $5,000.00. A lost opportunity cost. At a 7% earning rate, the value of that $5,000.00 is $20,000.00 in 20 years. You must learn the difference, the value to you, whether you use <u>your</u> money for a purchase or someone else’s (the banks). You must learn how to make these decisions. When you do, your wealth will grow. Now, if the interest paid on your debt was deductible from your taxes, it might change your thought process about paying cash for an item.

Congratulations, You've Become A More Perfect Taxpayer

Remember who created these programs, the government and banks. They stand to profit the most if you involve yourself in their traps, I mean plans. Transfers, transfers, transfers, will kill financial growth.

Guaranteed

Compliance officers get really nervous when they see this word. When investing in stocks and mutual funds this word, the "G" word, disappears. In discussing transfers, I am allowed to use this word in the following example.

If someone is earning $75,000.00 in income per year and is saving $5,000.00, they would have $70,000.00 of residual income. This $70,000.00 is spent on mortgage payments, car payments, clothes, food, taxes, etc., to sustain their standard of living. Like most average families, at the end of the year, the $70,000.00 has been spent. If I showed them how to save just 1% of that $70,000.00, it would create $700.00 in savings. That savings represents a 14% increase on the $5,000.00 they were saving. That's right, a 14% increase, <u>guaranteed</u>, with no market risk. Most people, when they learn how to do this, save a lot more than 1%. When applied properly, savings of 5% to 7% are achievable from your transferred money.

Focusing On 4%

Unfortunately most planners focus in on the 3% or 4% of money people think they can save from their lifestyle money. Most planners will advise you to try to save even more money than that, reducing your standard of living money to grow your accumulated money. When more money flows out of your lifestyle money, your standard of living is decreased. Do you think it would be important to find the money for savings from somewhere other than your lifestyle? If you continue to divert money only from your lifestyle, pretty soon you can't afford to go on vacation, buy a new car, or make home improvements.

Your Dollar

To examine how your money is affected by transfers, you really have to think many layers deeper. First, you have to obtain a job or career. Your services or labor have value to the employer and you will be compensated for it. The employer already knows what they can afford to pay you. Their determination of your pay comes from many different equations, most of which are transfers of company profits that ultimately affect your pay scale. Company profits determine whether or not they can afford to pay you. The level of company profits is determined after all expenses have been paid. Expenses include not only everyday business activities, but also corporate taxes, payroll taxes, government regulations and fees (taxes), property taxes, unemployment taxes, workman's comp taxes, possible sales tax, operating licenses, utilities that include taxes (passed on to the consumer), water, gas, electric, city and state tax. Of course this company, like all others, will pass off the cost of its taxation by raising the price of anything it sells to you and me, the consumer.

So You Got The Job. . . Let's Party

After they have tapped the corporation for taxes, the government moves on to much easier prey: You. You decide to throw a party upon receiving your first paycheck. The government shows up, and it congratulates you on your new position by taking about 30% of your pay. That's just the Feds. The state also crashes the party, and takes its cut of your money, along with the city in which you live. A few more show up for your first check-cashing party. The county people are there with their hands out for county taxes. The entire school board shows up in their limos looking for their share. They are the ones looking underneath your couch cushions for loose change. The water and sewer guys show up too. Good thing only one of them came in while the other five wait out in the truck for a couple of hours. The gas and electric people are also there, saying their fees and taxes are included in the monthly statement. You look around and think, "I better go cash this check so I can afford all of this." You go to the bank and, yep, there's a check cashing fee, even though you have your mortgage with them and $200.00 in their savings account paying you a whopping 1½%. By the way, the government makes you pay a tax on the money you make on that too.

You know the company that hired you has passed on its cost and taxes to you, the employee, indirectly, by paying you less. The balance is passed on to the consumers. The federal, state, county, and city governments pass on the expenses to you as a taxpayer. The utility companies do the same thing and they include their fees and taxes billed directly to you. The school board (property taxes), pass everything they do, and I mean everything, onto the consumer. The party is over!!!

Important Questions

Who do you pass <u>your</u> expenses on to? What relief do <u>you</u> have to recapture these dollars? None? Would you agree these transfers are killing you financially? Do you feel hundreds of people are profiting from you with no relief in sight? If you could learn to reduce these transfers and keep the money, your money, for yourself, would you do it?

You take what little is left of your money and make your car payment. The payment includes interest to the lender. Simply driving the car creates other transfers. Gas prices which include several taxes. A fee (tax) to renew your driver's license, license plate fees (tax) due every year, insurance premiums in which the insurance company's fees and taxes are passed on to you and any maintenance needed, parts and labor which is also taxed. Also, the value of this car does decrease every year. You finally figure out the only way you can pass on your expenses to someone else and pay for all of this is to ask for a raise from your employer. This solution may also have unintended consequences. The employer may decide they can't afford you and lets you go. Or you get a raise only to find out it increases the amount of taxes you pay. Study the transfers of your wealth that you are making, obtain the knowledge, make changes, and reduce the transfers.

Hidden Transfers

Not only is just about everything you buy a depreciating asset, it will probably have to be replaced in the future. Another form of tax on your wealth is inflation. When you replace these goods in the future, they will most likely cost more. Personal and corporate taxes and government regulations have more to do with prices going up than the old standard: "corporate greed." In the same breath, corporations will do just about anything to show profits to their shareholders. Once again, the added factor of the changing demographics of our nation will also complicate the challenge of you trying to hang on to your money.

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