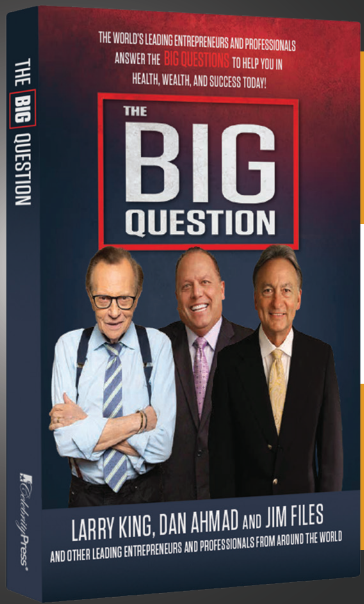

CHAPTER COPY

BEST-SELLER

BY DAN AHMAD & JIM FILES WITH LARRY KING

7 RULES TO LIVE BY FOR RETIREMENT SECURITY: AVOIDING ANOTHER 2008 MARKET CRASH

LISTEN TO DAN & JIM EVERY SATURDAY AND SUNDAY

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Introduction

You are about to read the double chapter titled ***"7 Rules To Live By For Retirement Security: Avoiding Another 2008 Market Crash"*** that will be included in Larry King's new book titled **"The Big Question"** due out in late Spring 2018. **"The Big Question"** is anticipated to be a Best-Seller. We are very grateful and feel honored to have been asked to be a co-author with Larry King. We are very proud to be approved to write this double chapter.

Each chapter in the book will discuss the one big question consumers ask experts from various professions. We help retirees plan their finances. We create Comprehensive Written Retirement Income Plans. We help retirees transition from Asset Accumulation from when they were working to Asset Preservation & Income Distribution now that they are retired. The Big Question retirees ask us every day is:

> ***"How can I invest my assets to create income that will last for as long as I live without ever suffering large market losses?"***

In this chapter we address this question head-on. We start by helping every reader remember what it felt like to lose so much money in 2008 – it felt terrible! We analyze the type of advice retirees were given that led to their huge portfolio losses. You will meet Bob and Carol, who just retired in 2007 and you will see how 18-months devastated their plan for retirement because they lost 54%! The sad part is what happened to Bob and Carol didn't have to happen to them, and doesn't have to happen to you.

The story is interactive and you get to choose between Door #1, Door #2, and Door #3. You will learn the **"7 Rules To Live By For Retirement Security,"** and if you follow these rules, you will increase your probability of financial success during retirement. By following these 7 Rules you will learn that you can invest your assets to create income that will last for as long as you live without ever suffering large market losses.

By spending the few minutes it will take you to read this chapter, you will change the way you view your money, risk, and how to make the best financial decisions. Thank you for allowing us to help educate you.

Dan Ahmad & Jim Files

“Time is money.”

Benjamin Franklin

“Stop wasting both as you have a limited amount of each.”

Dan Ahmad & Jim Files

What does someone who’s retiring this year, someone retired for 5 years, and someone retired for 15 years all have in common?

They all want the answer to their number one financial challenge:

“How can I invest my assets to create income that will last for as long as I live without ever suffering large market losses.”

They’re all afraid of running out of money and that they’ll lose too much in the next market crash.

Imagine you are Bob and Carol, and pretend like it’s 2007 and you just retired. Everything is looking great. The stock market’s up, your IRA (old 401K) is worth $1,500,000, and your broker said you’ll get 8%, 9%, 10%, 11%, even 12% annual returns on your moderate to conservative portfolio of diversified mutual funds. You are pretty good at math so you believe you can take out 6% income from your IRA if you are earning between 8%-12%. It’s a no-brainer, right?

Life couldn’t get much better: you both are 65, you have $40,000 of annual combined Social Security income, $20,000 of pension income, and you plan to take $90,000 from your IRA ($6% X $1,500,000 = $90,000). You have hit your retirement income goal of $150,000 of projected income per year!

Then the stock market dropped -10% and your broker told you not to worry about it. **“Ride It Out”**, he says, **“You’re in it for the long haul and you must stay in the market.”** Each month you take your $7,500 of income from your portfolio and continue to pay fees. At this point you weren’t too concerned.

Then the stock market dropped a second -10% and your broker told you not to worry about it. **“Ride It Out”**, he says, **“You’re in it for the long haul and you must stay in the market.”** Each month you take your $7,500 of income from your portfolio and continue to pay fees. Now you’re worried, and the **“Ride It Out”** thing starts to sound like a bad recording, but your broker sounds smart and was very convincing.

Then the stock market dropped a third -10% and your broker told you not to worry about it. **“Ride It Out”**, he says, **“You’re in it for the long haul and you must stay in the market.”** Each month you take your $7,500 of income from your portfolio and continue to pay fees. You’re very worried and tell your broker you don’t want to **“Ride It Out”**, you want out and you’ve lost too much. He says you can’t get out until you make up all the losses. Basically, you are stuck.

Then the stock market dropped a fourth -10% and your broker told you not to worry about it. **“Ride It Out”**, he says, **“You’re in it for the long haul and you must stay in the market.”** Each month you take your $7,500 of income from your portfolio and continue to pay fees. Now you begin to panic and feel paralyzed, and hope somehow you will get out of this mess.

Then the stock market dropped a fifth -10% and your broker told you not to worry about it. **“Ride It Out”**, he says, **“You’re in it for the long haul and you must stay in the market.”** Each month you take your $7,500 of income from your portfolio and continue to pay fees. You can’t believe it’s actually gotten worse, you don’t know what to do.

Then the stock market dropped an additional -4% and your broker told you not to worry about it. **“Ride It Out”**, he says, **“You’re in it for the long haul and you must stay in the market.”** Each month you take your $7,500 of income from your portfolio and continue to pay fees. Your perfect life you had seems so far away. You are sad, unhappy, and feel very, very, guilty for letting yourself get into this position.

In 18-months, the stock market dropped -54% and many retirees actually lost even more. The entire financial industry, your world, and your retirement was literally rocked out of your beautiful dream and thrown into the nightmare they called the 2008 Financial Crisis.

After going through 2008 with your money, what is the one thing you never, ever, ever want to happen again? You never want to go through another 2008 again.

But you now have to make a big choice; the market has crashed and your portfolio is down to $596,000 and you have no idea what to do; you are numb. You meet with your broker and he can’t explain anything you understand, other than you only have $596,000 left of your original $1,500,000.

Note: During this 18-month time period, you paid over $59,000 in direct and hidden fees. Your broker said you were only paying 1.25% in total fees, but he lied. The 1.25% was just what you paid him. You also paid 2.25% in hidden fees like mutual fund expenses, trading costs, and custodian fees. Over 18-months you paid total fees that now amount to 10% of your current portfolio value. Yes, this is sickening, but it is what we find the average retiree is actually paying in fees – about 3.25% per year!

But you now have to make a big choice; the market has crashed and your portfolio is down to $596,000. As the late, great Monte Hall asked America, “Let’s Make A Deal! Do you want what’s behind *Door #1, Door #2, or Door #3?*”

Door #1: Do you continue to take out $90,000 of income every year, but now the $90,000 becomes a 15.1% distribution rate ($90,000 / $596,000 = 15.1%)? Remember, you are good at math, and taking out 15.1% probably doesn’t sound right. If you continue to take out $90,000 yearly, pay your fees, and earn stock market returns, at the end of 2016 you have only $260,000 left. You only have 3 years left of income and you’re both 74 years old, with a 75% chance one of you will live into your 90’s.

Door #2: You significantly decrease your annual income from $90,000 to $35,760, meaning your monthly gross income dropped from $7,500 to $2,980. If you earned market returns and paid fees, at the end of 2016 your portfolio would be worth $820,000. Your portfolio is higher because you took $434,000 less income out through 2016.

Door #3: You stop all income from your portfolio, dropping your annual income from $90,000 to $0. Your monthly gross income has decreased from $7,500 to $0. If you earned market returns and paid average fees at the end of 2016 your portfolio would have increased to $1,190,000. You have more money in your portfolio because you took $720,000 less income out.

- Choose ***Door #1*** and run out of money when you are 74 years old.
- Choose ***Door #2*** and receive $4,520 less monthly gross income for the next 8 years.
- Choose ***Door #3*** and receive $7,500 less monthly gross income for the next 8 years.

But Monte liked you so he added a bonus door:
- Choose ***Door #4*** and get your old job back and work full-time for the next 15 years.

Which Door would you choose? None seem very good. Can you imagine if you really had to go through this yourself? The good news is that you are not Bob and Carol. Other good news is that during the writing of this book, the stock market is at an all-time high. The bad news is that the stock market drops an average of 39.5% every 7 years since 1929, which means we are two (2) years overdue for a market crash; which means we owe the Bear a lot of money! The next big crash is coming: it's not **"if it will happen"** it's **"when will it happen?"**

You'd probably do anything to guarantee yourself a successful retirement, but one problem is you don't know where to start. Another problem is it all seems overwhelming. The biggest problem is you don't have a roadmap of exactly what you need to do. If you had such a roadmap that would guarantee your financial security during retirement, you would follow it religiously. You've accumulated a lot of money because you are a disciplined saver. All you need is that elusive roadmap. Well, we are going to give you the roadmap. How much is something like that worth? A lot! It's not unusual for a Certified Financial Planner ™ to charge $5,000 or more for these answers! But we're going to give it to you for free. Thank Larry King for his dedication and passion he's always shown in wanting to bring answers to the biggest most difficult questions people like you have. We are honored to have been chosen to provide the answer for retirees.

The best news is right now you can plan properly to guarantee you will not run out of money for as long as you live and you will never go through another 2008 again. It's simple, real simple. All you need to do is follow the:

7 Rules To Live By For Retirement Security

Rule #1: Avoid all large losses to your portfolio

Rule #2: Minimize fees

Rule #3: Significantly reduce volatility

Rule #4: Earn a reasonable rate of return

Rule #5: Control and manage taxation

Rule #6: Generate "Certain Income" from your assets that will last for as long as you live, not "Maybe Income" that could end at any time

Rule #7: Have a Written Retirement Income Plan

Rule #1 - Avoid All Large Losses To Your Portfolio

98% of retirees and pre-retirees tell us they do not want to ever lose more than 10% in their portfolios. But 95% of these retirees do not know or haven't been told their current portfolio would lose 30%-50% in a market like the 2008 Financial Crisis. The "Golden Rule of 5%-10%," was created by Peak Financial to construct portfolios mathematically projected to never lose more than 5%-10%, even when the market drops 50% like it did in 2000-2002 and 2007-2009.

A 50% loss in your portfolio requires a 100% recovery gain just to break even! A 40% loss requires a 67% recovery gain. A 30% loss requires a 43% recovery gain. A 20% loss requires a 25% recovery gain. A 10% loss only requires an 11% recovery gain, and a 5% loss only requires a 5.26% recovery gain. 25%-100% recovery gains must be avoided during retirement.

You can develop a Golden Rule of 5%-10% portfolio by:

1. Implementing a stop-loss strategy on your stock market investments. Don't ride the market down to the bottom. You may prefer a 10% stop-loss or a 5% stop-loss on the first 50% of the portfolio and a 15% stop-loss on the second 50% of the portfolio.

2. Buy contractual principal and lifetime income guarantees from A+ insurance companies that have been operating for at least 90 years. These companies have fulfilled their guarantees and promises to their customers even through the Great Depression.

3. Keep money in the bank. Liquidity and safety is so-underrated by most brokers because it doesn't make them any money. But if you're retired, bank money will make you feel safer, will not lose value in a market crash, and is available to spend.

4. Diversify your investments. The Perfect Allocation has a portion of the portfolio in the stop-loss bucket, a portion of the portfolio in the guaranteed lifetime income bucket, and a portion in the bank bucket. This can reduce your maximum projected never lose more than 5%-10%, even when the market drops 50% like it.

Rule #2 - Minimize Fees

Excessive fees can devastate a portfolio; it's the hidden killer. A recent Harris Poll reported only 39% of Americans thought they knew the fees they are paying. We think it's closer to 5%. Most retirees believe they're paying 1% in total fees annually but they're really paying closer to 3.5%. Tony Robbins has recently been on a crusade, through lectures, television and radio appearances, even writing a new book to help consumers realize they're getting killed with hidden fees

Thomas Coyle wrote in Financial Advisor IQ published on October 26, 2017 that cited Ameriprise, UBS, Morgan Stanley, Wells Fargo, and Merrill Lynch as the "*Most Expensive Advice Firms*" with Advisory and fund fees as high as 3.5%, not including trading costs! Shocking!

A $1,000,000 portfolio, assessed 3.5% fees versus 1.0% fees, costs an additional $500,000 in fees over 20 years. Unfortunately, this is typical and is probably happening to you right now. How could this happen? One reason is your broker told you your total fees are 1%, which is the amount being paid to the broker.

A second reason you're in the dark is that the information is very difficult for you to obtain. The 1% paid to your broker doesn't include other hidden costs that significantly erode your nest-egg:

- Asset management fees to have your funds watched and moved around in your portfolio. A typical management fee is 1.0% per year.

- Mutual fund fees paid on every single mutual fund, no matter the type. You don't see these fees on your statements because they're deducted before you get your statement. The average mutual fund fee is 1.23% per year as reported by: ***www.NewYorkTimes.com*** on October 6, 2012.

- Trading costs at the mutual fund level, caused by the mutual fund manager buying and selling assets (also called turnover), create an average annual trading cost of 1.44% as reported by: ***www.Forbes.com on April 4, 2011.***

- Cash drag reduces your potential rate of return because your mutual fund is holding a certain percentage of cash, earning very low return rates, and can average 0.83% annually as reported by: ***www.Forbes.com on April 4, 2011.***

Add the 1.0% to your broker, plus 1.0% paid to the money manager, plus 1.23% average mutual fund fee, plus 1.44% average trading cost, plus 0.83% average cash drag, and the initial 1.0% in fees you thought you were paying could skyrocket to a whopping 5.50% in total fees every single year. If you have a variable annuity, your cost could be as high as 6.5% in total fees per year.

Rule #3 – Significantly Reduce Volatility

Retirees want consistent income throughout retirement. Volatile portfolios cannot provide consistent income. Retirees must avoid volatility. Between January 1, 2015 and December 31, 2016, a period of two (2) years, the S&P 500 Index fluctuated 26.15% from top to bottom.

During the "Tech Bubble Crisis" between 2000 and 2002, the stock market dropped by almost 50%, requiring a 100% recovery gain just to get even by 2007. The market then lost approximately 54% during the 2008 Financial Crisis, requiring a 113% recovery gain by mid 2013. During this period of 13 ½ years the market provided a 0% annual compounded increase; huge volatility for no reward. If you're taking out income during this time period your portfolio value decreased significantly.

Note: It is imperative to avoid this type of asset behavior during retirement.

You cannot plan, take consistent income, or feel secure if your assets are fluctuating wildly in values. Wide volatility is acceptable while you are working during Stage 1 – Asset Accumulation Phase of retirement planning, but it is unacceptable when you are retired during Stage 2 - Asset Preservation and Income Distribution Phase of retirement planning.

Rule #4 - Earn A Reasonable Rate of Return

If you want the highest return you have to take the highest risk. Thousands of retirees told us their brokers said they would always earn annual returns of 8%, 9%, 10%, 11%, or even 12%, because it's what the stock market has always earned. This is the definition of an **"unrealistic expectation"**.

Here's an example:
Dave and Barb had $1,500,000 in 2000. Their portfolio grew to $2,250,000 by 2017 without any additional investments and without income distributions. Their assets increased by 50%, their broker talks about 12% stock market returns, so they thought they've earned close to that 12% annual return. But they didn't. From 2000 – 2017 their portfolio grew by an annual 2.28% compounded rate of return to take it from $1,500,000 to $2,250,000. Seriously. If they'd earned 12% every year they'd have $11,534,000 right now, quite a difference.

Note: We have found retirees typically need to average 4%-6% returns for a successful retirement plan. If Dave and Barb earned 4% on their money, they would have accumulated $3,038,000 by 2017.

Rule #5 – Control And Manage Taxation

Many retirees don't increase their income because they are afraid of paying income taxes, so they defer taking IRA distributions until age 70 ½. This might save taxes for a few years, but then it will increase the amount of your RMD's at 70 ½, increase your taxes for the rest of your life, increase the income taxes your beneficiaries will pay, and give you less money to spend when you're young!

First of all, you don't pay tax on all of your gross income, you pay tax only on your taxable income after deductions. Secondly, your taxable income is not taxed at one (1) rate, it's spread out over up to seven (7) rates.

The biggest changes to the tax code in the last three decades was signed into law by President Trump at the end of 2017. The new Federal income tax rates (brackets) are:

Tax Rate	Married Taxable Income	Single Taxable Income
10%	$0 - $19,050	$0 - $9,525
12%	$19,051 - $77,400	$9,526 - $38,700
22%	$77,401 - $165,000	$38,701 - $82,500
24%	$165,001 - $315,000	$32,501 - $157,500
32%	$315,001 - $400,000	$157,501 - $200,000
35%	$400,001 - $600,000	$200,001 - $500,000
37%	$600,001+	$500,001+

The average tax rate you pay on every dollar of your income is called your effective tax rate. The typical retiree would pay the following effective tax rate based on these gross annual incomes:

Gross Annual Income	Effective Tax Rate
$125,000	9%
$175,000	13%
$250,000	16%

The typical retiree could make $175,000 of gross income, and they wouldn't pay 28% tax on the $175,000; they would actually only pay an effective tax rate of 16% on the $175,000! If you made $175,000 of gross income in retirement, would you be afraid of a 16% tax rate? Probably not.

Note: During retirement you will pay a significantly lower tax rate than you originally believed and you should not be afraid of taxes.

Rule #6 - Generate “Certain Income” From Your Assets That Will Last For As Long As You Live, Not “Maybe Income” That Could End At Any Time

The #1 fear retirees have is they’ll run out of money during their lifetimes. To eliminate this fear first you will need to decide income you want to be “Certain Income” – income that is guaranteed to be paid to you for you for as long as you live, such as pension income, social security, and lifetime income from annuities. Secondly, you will need to decide how much income you’re comfortable being “Maybe Income” – income that is not guaranteed and can decrease or stop at any time such as portfolio income, interest income, dividend income, real estate investment trust income, and income based on the potential growth or earnings of an asset.

Studies show retirees are happier and live longer if they have the highest level of “Certain Income”. You saved money while working to use it for lifetime retirement income, not to worry about it for 30 years during retirement. Most retirees want as much “Certain Income” as possible during retirement.

How would you feel if your monthly income was guaranteed to be paid to you for as long as you and your spouse lived? If you knew you would get your income this month, next month, every month for the rest of this year, every month next year, and every month for as long as you live; would you worry as much? Would you be willing to spend more, take more trips, do the remodel, buy the car, help your kids and grandkids? Wouldn’t this make you happier?

It’s said money can’t make you happy, but we have found, and studies prove, retirees with the most guaranteed lifetime income are the happiest and live the longest!

Rule #7 - Have A Written Retirement Income Plan

You probably don’t have a complete written plan right now stating how you will use your assets for retirement income, how much risk you’re taking, how much income tax you’ll pay, your total fees that are both direct and hidden, how much you’ll leave your beneficiaries, the advantages, disadvantages, and all details about your plan spelled out. This means you don’t have a plan at all, you just have a portfolio that you probably don’t understand. Most retirees don’t have a written plan because their broker doesn’t have the expertise to put it together and won’t spend the large amount of time required to complete the whole plan. The broker doesn’t want the responsibility, accountability, and liability that comes with creating a written plan.

OK, you love the idea of a written retirement income plan, but what’s in it? There are four (4) main components:

I. *Retirement Income Projection* – showing annual income throughout retirement, when each income source starts, stops, increases, decreases, and what is guaranteed (*“Certain Income”*) and what is not guaranteed (*“Maybe Income”*).

II. *Income Tax Analysis* – showing total federal and state income taxes you will pay, your effective tax rate, and monthly income tax withholding needed, and your monthly after-tax net income.

III. *Beneficiary Asset Transfer Analysis* – showing how much money you can reasonably expect to leave to your beneficiaries.

IV. *Plan Details* – in a full written plan, typically between 12-24 pages, discussing your goals, risk, fees, liquidity, advantages, disadvantages, the step-by-step process for implementation, all to assure your long-term success.

Note: Make sure you understand it and have your planner sign it. If it’s not in writing it doesn’t mean a thing. Having a written plan will help you avoid confusion, mistakes, misunderstanding, and will significantly improve the probability of a successful plan throughout your retirement.

Summary

Follow the 7 Rules To Live By For Retirement Security for a higher probability of retirement success:

Rule #1: Avoid all large losses to your portfolio

Rule #2: Minimize fees

Rule #3: Significantly reduce volatility

Rule #4: Earn a reasonable rate of return

Rule #5: Control and manage taxation

Rule #6: Generate "Certain Income" from your assets that will last for as long as you live, not "Maybe Income" that could end at any time.

Rule #7: Have a Written Retirement Income Plan

The roadmap has been handed to you, don't put it back into the glovebox as it will do you no good there. Use this roadmap to have a more successful retirement. You can use your assets right now to generate more income, without the worry of ever running out of money, and without the worry of a large market loss.

Think about Bob and Carol at the beginning of this chapter, if they had a roadmap, they wouldn't have been forced to choose between Door #1, Door #2, Door #3, and Bonus Door #4 (working forever). Bob and Carol would have had a very successful retirement. You can too.

Dan Ahmad CFP, EA, ATA
President & Co-Founder
Peak Financial

Jim Files
CEO & Co-Founder
Peak Financial

About Dan and Jim

With 50+ years of combined experience as authors, lecturers, coaches, innovators, and financial professionals, Dan Ahmad and Jim Files are Nationally recognized as two of the top Financial Advisors working exclusively with retirees. Dan and Jim create comprehensive written retirement income plans that address the concerns and solve the problems people between the ages of 55-90 face with their money every day.

As Co-Founders of Peak Financial Freedom Group, Dan and Jim have presented to over 20,000 attorneys, accountants, financial advisors, real estate professionals and consumers, and received commendations from the California Attorney General's Office, California State Department of Education, Association of California School Administrators, California Teachers' Association, Faculty Association of California Community Colleges, 17 California State Universities, 66 California Community Colleges, National Network of Estate Planning Attorneys, and California Visiting Nurses Association. As hosts of the cutting edge "50 Shades of Money" radio show on the award winning KFBK News Radio 1530 AM, Dan and Jim take the "grey areas" out of money, making it easy to understand. They were promoted in 2015 in a powerful Forbes Magazine section titled "California's Financial Leaders," seen multiple times on FOX 40 TV, and created over 150 financial education videos.

Dan and Jim serve as one of four "Coaches and Mentors" for Financial Independence Group, one of the Nation's leading financial service firms with over 7,000 financial professionals, and received over 50 industry awards. They've written *"Don't Bet the Farm"* providing answers to the most daunting questions retirees have about their money.

Dan has been a Certified Financial Planner™ since 1989, an Enrolled Agent with IRS since 1987, is an Accredited Tax Advisor, Fellow of the Estate and Wealth Strategies Institute at Michigan State University, Investment Advisor Representative of his own RIA, member of the National Society of Accountants, and is life insurance licensed. Jim has tremendous business experience including taking his company public and running it as a public corporation for many years, serving on Executive Management Team for public companies, specializing in Mergers and Acquisitions, is an Investment Advisor Representative of his own RIA, and has his life insurance license.

Dan and Jim work daily with retirees to help them truly understand their money for the first time in their lives by creating comprehensive written retirement income plans to increase their income, guarantee they won't run out of money for as long as they live, reduce their risk by avoiding all large stock market losses like 2008, minimize their taxes, reduce fees, earn competitive returns, and efficiently pass assets to beneficiaries. Dan and Jim have been business partners and best friends for 20 years, both born and raised locally, work in Roseville, CA and both live in Granite Bay, CA. Dan has been married to his wife Elaine for 34 years, they have two daughters Lexi and Tori. Jim has been married to his wife Tami for 34 years, they a daughter Kyley, a son Cody, a daughter-in-law Martine, and a granddaughter Collette.

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