AVOIDING THE KILLER BEES:

Being Broke, a Burden or a Bag Lady
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National Vice President
Five Rings Financial
Why Am I Here?

- Speech in 1971
- The Economy the Way I See It
- Page 1 – Why manufacturing jobs will leave North America
- Page 2 – Conclusion – We need to change the way America thinks about money, or get ready for the Second Great Depression.
- Change to What?
  - Habits to Live with Financial Dignity.
Killer Bees and Killer Be’s

- Why create Africanized Honey Bees?
  - More honey
- Who is Afraid of Africanized Honey Bees?
- Why Avoid Killer Bees?
  - Pain
  - Untimely Death
- How to Recognize The Threat
  - Where is the hive?
- What to Do?
  - Stay away from the hive
  - If attacked?
  - RUN! To Shelter
- When ------- NOW!
Killer Be’s of Finances

- Being Broke
  - Not Just Pay Check to Pay Check, but---
  - Don’t have 3 months of expenses saved
  - Broke = Ignorance + Bad Habits

- Being a Burden
  - Being someone else’s responsibility
  - Burden – Inadequately prepared

- Be-coming a Bag Lady
  - No one to turn to
What’s Keeping Us Broke?

- It’s not Lack of Income

- Ignorance of:
  - Basic Money Principles
    - P = I - E
    - $5/Day
    - Compound Interest
    - Tax Deferred or Taxed
  - Money Personality

- Bad Habits
Principle #1 - $P=I-E$

- **P** is for Profit
- **I** is for Income
- PHILLING
- **E** is for expenses
Principle #2 - $5/Day

- Can you save $5/day?
- Do you blow $5/day?
Principle #2 - $5/Day

Emotionally
Mathematically & Scientifically

$5/day × 30 = $150

Health Ins, Life Ins, Auto Ins, Homeowners Ins, 401K, IRA, Mortgage, Tax Return

40 yrs
10%

$1 million

$200/mo

$1.5 million

$200-$300
Principle #3 - Compound Interest

- “8th Wonder of the World” – Albert Einstein

- The ability of an asset to generate earnings, which are then reinvested in order to generate their own earnings.

- Rule of 72: Divide interest rate into 72 = No. of years for savings to double.
### Three 29 Year Old Triplets

<table>
<thead>
<tr>
<th>Rate (%)</th>
<th>Doubles every</th>
<th>Age</th>
<th>Savings</th>
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<tbody>
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<td>18 years</td>
<td>29</td>
<td>$5,000</td>
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<th>Savings</th>
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<td>65</td>
<td>80,000</td>
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<th>Rate (%)</th>
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<th>Savings</th>
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<td>29</td>
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**Rule of 72**

Divide interest rate into 72 to get the number of years it takes for your savings to double in value.
Principle #4 - Tax Avoidance

- Put money into accounts that are protected from taxes
- You earn more money if you pay less in taxes
- Non-Taxable versus Taxable Accounts
<table>
<thead>
<tr>
<th>Tax-Free</th>
<th>Taxed (28%)</th>
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<tbody>
<tr>
<td>1 $2</td>
<td>1 $2 $1.72</td>
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<tr>
<td>2 $4</td>
<td>2 $3.44 $2.96</td>
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<td>3 $8</td>
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<td>4 $16</td>
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<td>5 $32</td>
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<td>6 $64</td>
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<td>9 $512</td>
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<td>10 $1,024</td>
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<tr>
<td>11 $2,048</td>
<td>11 $453.16 $389.72</td>
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<tr>
<td>12 $4,096</td>
<td>12 $779.44 $670.32</td>
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<td>13 $8,192</td>
<td>13 $1,340.64 $1,152.95</td>
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<tr>
<td>14 $16,384</td>
<td>14 $2,305.90 $1,983.07</td>
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<tr>
<td>15 $32,768</td>
<td>15 $3,966.14 $3,410.88</td>
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<tr>
<td>16 $65,536</td>
<td>16 $6,821.76 $5,866.71</td>
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<td>17 $131,072</td>
<td>17 $11,733.42 $10,090.74</td>
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<td>18 $262,144</td>
<td>18 $20,181.48 $17,356.07</td>
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<td>19 $524,288</td>
<td>19 $34,712.14 $29,852.44</td>
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<tr>
<td>20 $1,048,576</td>
<td>20 $59,704.88 $51,346.20</td>
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Move from Ineffective to Effective
Money Personality

- Developed by Scott and Bethany Palmer
- 5 Money Personalities
  - Spender
  - Saver
  - Risk Taker
  - Security Seeker
  - Flyer
- Primary and Secondary Money Personality
- Internal Conflicts
- Relational Conflicts
- Take the Quiz
Bad Money Habits

- I Deserve It!
- But Next Week is So Far Away!
- It’s only $1!
  - Or $2
  - Or $5
- Identify your habit loop
  - Cue – Where, When, Emotional State, People, etc.?
  - Routine – What do you do?
  - Reward – Change the reward
Killer Be #2 – Being a Burden

- What is being a burden?
- Please stand up
- Having someone provide for your:
  - physical care;
  - financial dependence;
  - or both.
Plan for Incapacity

- 8 times more likely to have a critical, chronic or terminal illness than sudden death.
- Probability of chronic illness or cancer for men and women is near 50%
Plan for Incapacity

- Get your legal affairs in order.
  - Hearda HIPAA?
  - Medical Durable Power of Attorney
  - General Durable Power of Attorney
  - Advanced Directive for Medical/Surgical Treatment (Living Will)
Plan for Incapacity

- Prepare Financially
  - Emergency Fund – 2-3 months of expenses
  - Short Term Fund – 6 months of expenses
  - "Disability" Insurance – Look for Living Benefits that protect against critical, chronic and terminal illnesses.
Plan for Longevity
- As of 2012 the average person lives to 79
- Married Women to 92
- Married Men to 88

Have a portion of your retirement funds in money you can’t outlive – Personal Pension

As much as possible should grow tax-deferred and come out tax-free

Know how your income and funds will be distributed

Plan for Death
Protection
95%

Accumulation
Distribution
65 - $1,000,000
≤ 70%  
Or
100%

Terminal  Critical  Chronic
95%
Indexed Annuity

S & P 500
+8  -8  +12

8%

0%

+8
+0
+8
Indexed Annuity

Market

$100,000

29%

$141,000

$91,000

-9%
Use Money Principles
- $P=I-E$
- $5/Day$
- Compound Interest
- Tax Deferred or Taxed

Account for Your Money Personality

Create Good Money Habits

Prepare for Incapacity, Longevity and Death to Avoid Being or Leaving Your Family:
- Broke
- Burden
- Bag Lady
Thank You!

Creating Opportunities... Income, Security, Wealth.