AN EXCERPT FROM

MONEY RULE$

CHAPTER 10

INVESTING WITH INTENTION

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Introduction

Money Rules is not your typical book about money. It is an overarching mindset written for people who want to maintain massive wealth. When you know the rules of how money really works and the ideas and strategies within Money Rules, you will be able to build and protect your money, not just have momentary fortune.

The philosophies and approaches in this chapter are presented to you by Harry J. Abrahamsen, and while you may be able to implement many of them right away, they are not to be mistaken for direct advice. Money Rules empowers you to be the master of your own wealth—your advisors are just one piece. At this point, you have been introduced to one aspect of the macro mindset. Make sure to read the rest of Money Rules to move into mastery.

Written for Influential Individuals, Entrepreneurs, Business Owners, and Families with Money. Though I dare anyone to pick it up and read it now.

There are many books written for individuals who are seeking to build wealth, but when you reach the point of impressive success and multiple commas to your name, you may be reliant on your inner circle with your decisions about money. You feel you have control, but you are just a few mistakes away from sacrificing everything.

This book is written for you, and in it you will find out the things you are missing, no matter how diversified your portfolio is or what you think you know about money. When you know the rules of how your wealth really works and the ideas and strategies within, you will be able to build and protect it, not just have success for a moment.

This book is not about what's right or what's wrong, it's about doing things the right way.

RULE

Investments are not a strategy.

CHAPTER 10

Investing with Intention

"Do not repeat the tactics which have gained you one victory, but let your methods be regulated by the infinite variety of circumstances."
—Sun Tzu, *The Art of War*

Yes, you're at the head of the table. You're in the thick of it, you're bringing the heat. You support businesses, inventions, industries, not just because it's financially rewarding, but because it's satisfying. If not you, who is first dollar in, the initial angel, the executive producer that makes the auteur's defining film possible? If you want to keep being this patron, this Shark, you must be as sophisticated with the way you position your power threes on the board as you are with the way you handle the investments themselves. You might have your specialty, your superior instincts and timing, but when you commit solely to them, you're just winning the same trophy. And who is to say that the way you make your wins today will work tomorrow? Who is to say that what you've won will stick around?

Most successful investors have their specialties—business investors, real estate gurus, stocks and bonds lovers, to name a few. They've built their wealth with a single piece; they've been single-minded, and they've won big because of it. Their investments always bring in rewards, and they're attached to their specialties, tied to their market, their thing. This brings them success, but it's vertical, not horizontal, and it's definitely not three-dimensional. Even if they broaden their scope, it doesn't cover much area within the bigger picture of their financial board. Instead of supporting their interests with a diversity of investments and sources of wealth, they've pigeonholed themselves and have capped their wealth potential.

If I tell a successful business owner that they should pursue a strategy outside their specialty, their typical response is to say: "I own nineteen restaurants" or "I own eight auto dealerships, I'm good." Their businesses are their bread and butter and bring them their highest rate of return. But what if something happens to those businesses? What about personal or global black swans? How many doors shut during the pandemic? There are some tough decisions to make to be macro with this specialty. Do you want to take money away from your business to invest it in something else? What if you're presented with different investment opportunities that promise a significant boost to your wealth? What if the money would provide a source of funds for your business?

Real estate is the epitome of die-hard investment specialties. These investors are brick and mortar people, and they're not interested in anything beyond their micro power three real estate investments. (Grant Cardone has probably already ripped out this chapter.) They want to be able to physically stand on their investments because it's what they know and trust. They might shun annuities or insurance because they want to maximize the amount they put into this specialty. But what if the best way to buffer against the hard times, manage the assets themselves, or build massive wealth is beyond the walls of a multi-unit apartment building?

Investors get presumptuous because they receive massive returns; they talk about their dividends as if they're immortal. They will say: "I'm doing great, I don't need more, my investment portfolio is impressive, I've got the best paying dividend stock." But will it stay this way? Someone with $5 million in AT&T stock in early 2021 would have been getting 6.5% in dividends that seemed solid. But months later, when AT&T announced it was spinning WarnerMedia off with Discovery, the dividends dropped by half (along with the worth of the stock). Imagine them sitting back thinking they were on easy street, and then suddenly bam, what they had beneath them was just blown away. It takes just a single shift from an institution to burn through your wins. You wouldn't want to be someone in this situation relying on this single stock within this single power.

This chapter is not the secrets of investing. Instead, I will share insights and ideas relevant to investments within this power, and it is up to you to use them for more wins. If you're the most successful investor in the world, I imagine you'll still find something you didn't know, but maybe you have this wisdom within your grasp. The challenge I am giving to you is to use this knowledge, and this mindset, and the investment experience you have so much of, in a real macro strategy and get back with me when it puts your existing wealth to shame.

Investing in the Stock Market

If you want to immerse yourself in the stock market, you must choose between being more passive or active. Passive investing is ironically the more dramatic of the two scenarios. It's a buy and hold on strategy where you invest the money and strap in for the ride; while the markets go up and down, you stick to your guns and hope you can stomach the next turn. Active investing isn't about the ride, it's about the chase. Instead of investing individually, you might pay someone to manage a portfolio for you. They buy and sell stocks according to the movement of the market, providing a somewhat smoother, though more expensive, journey. If passive investing is a roller coaster, active investing is a series of winding roads (with some switchbacks).

There are endless articles that say a passive approach is the way to go—you don't have to involve an advisor (and their fees) and can just sit back and enjoy. To this I simply say be mindful of what you do not know.

You might have a few blue chip stocks that are your jam that you're die-hard about, but what happens when there's an announcement about the company and their dividends plummet overnight? Remember the AT&T situation? The reality with the passive approach is that you won't be sitting back, you'll be on a bucking bronco, and you might be bucked off at the most inconvenient time. Because of this, and because they've got the means, most wealthy people go with the active approach. If they want to avoid an advisor and they know what they're doing, they simply self-direct their portfolio to avoid the fees and have the most returns possible.

The thing about stocks and bonds, no matter which approach you take, is that you must never be dependent on them, and you must always be willing and able to part with them when it's time. Your stocks and bonds should always be in addition to other investments, and you must never become reliant on a few favorite companies. If you get RSU's as part of your compensation, you may be tempted to hold onto your stock once it's vested, but this is not wise. Working for a company and owning a significant amount of its stock puts you at significant risk. When Enron went up in smoke employees had no income and no stock remaining—not a favorable situation for their wealth. If you aren't willing to cash it all out, at least sell some and diversify.

Even without any black swans, sometimes your pet investments are no longer right for your household, and no matter how attached you become to your stock, you must be pragmatic. That said, if you know when to hold 'em and when to fold 'em, stocks and bonds are as profitable as they are exciting.

Investing in Private Equity

Maybe you prefer to invest in ideas. Say you have a few million in the bank to spare—stocks and bonds aren't your style, or you've already got them in spades, and you want to invest in an interesting private equity opportunity that your friend tells you about over a glass of Johnnie Walker Blue. You sit down to review the terms and decide to go in on it.

This would be a straightforward move: you'd transfer money (that is either idle in your savings or invested elsewhere) into this new investment in return for the potential of a high reward. If you really do win out and get your 10x, the risk you took would be very much worth it. But this outcome is reliant on the circumstances being just right, the influences being specifically aligned. If your investment doesn't play out precisely the way it should, if the wind isn't there, you won't ever see that money again. Maybe you like the gamble, the rush of the risk. But even the best business ventures are vulnerable to black swan events and unforeseen burdens, and you won't be proud if you have to sell the ranch because you had a bad hand.

There are some important things that you must be mindful of when it comes to private equity. First, these investments are incredibly illiquid: you can't borrow against them, and you can't just withdraw from them at will. They are not a true money tree. They are also very speculative, and there isn't much to inform you about the possibility of success. It is all educated guesswork. Because of these things, you should not invest more than 10% of your liquid assets (meaning cash, not net worth) in private equity. Beyond this amount the reward will simply not be worth the risk. God forbid you sell some important assets just to make something "interesting" happen. If you're sitting on a pile of cash, there is no need to blow it up just to show it off, particularly when you could be building more wealth by being strategic.

When you pursue an investment, it's important that you don't put too much trust in the business itself. It's amazing how many founders present some brilliant idea that sounds groundbreaking, boasting that their company will be the big disruptor, but when it comes time to discuss the financials for the business in terms of distribution of funds, operations, management, and carrying costs over the next three to five years, they are strangely silent on specifics. It's unbelievable how many people buy in without ever seeing the established budget, accurate growth projections, or basic proof that the venture will have enough money to get from point A to point B. You must be unforgiving in determining if the financial models are realistic or merely impressive. Multiple micros should review the business plan for you; you'd better not be making a decision on instinct regarding the idea of a bright-eyed founder. If you're not sitting in a chair on *Shark Tank*, it's imperative you do this. Feelings aren't financially sound, and budding businesses are sirens.

Beyond this, you must know and trust the people you will be working with, and you must have some understanding of the industry, the management of the company, the founder/s' intelligence and experience, and the team's history and culture. Putting your own money in someone else's business is one of the biggest bets you'll ever make, and if you don't do it just right, you might as well blow all of it in Monte Carlo.

Investing in Real Estate

What if you're into brick and mortar? The blessing and the curse of this specialty is that your investments are literally solid: they may provide steady earnings, but they're illiquid. When was the last time you pulled out a brick to pay the mortgage? With this type of investment, you must maintain enough liquidity to manage what you own. What's the point of having millions of dollars in a property if you can't afford to replace the roof? Additionally, real estate is subject to massive downturns during black swans. We all remember the housing crisis of 2008. Real estate must always be backed up by other investments and savings.

Then there is the question of who will manage the properties. Are you going to do this yourself? Are you going to hire that person? There are people who have stopped working, who have millions in real estate and money in the bank, who aren't able to sit back and enjoy their way of life because of the burden of the buildings they own. They simply don't have the time. If you're seriously invested, do you have enough people in the family to help you with what you have to manage? Are you really going to force your kids to shoulder this burden? Do you even have children or a spouse that can help you handle all that this investment requires?

The ideal strategy when you get into commercial and multi-family properties—or any situation in which you have tenants or paying visitors—is to build a financial bunker. Rental income may be used to cover expenses related to the property and give you some additional income, but is there any other way to put it to work for you? A strategy for this would be to use a portion of this cash flow and redirect some of it into a power one insurance policy. This builds you a reserve of capital that's not correlated to the real estate markets you are tied to. In the future, you can borrow from the policy, instead of your savings, whenever you need to maintain the buildings or take care of your tenants. This puts you in control, and it maintains your exponential curve. By moving at least a portion of the income into your power one insurance you are able to trigger multiple rates of return from your initial investment.

Real estate is a fantastic investment that provides multiple sources of income. But you have to be aware of all of the moving pieces and potential pitfalls—including that you are buying bricks and all that comes with them. While many people make the mistake of marrying themselves to this market, it is one of the specialties that must truly never stand alone.

Cryptocurrency

There will always be a new "thing" in the market, a technology, a sector that you will want to invest in. It might be the gold rush, the first days of Microsoft, or the Internet itself. It might be bitcoin. It is an incredibly auspicious time to invest in cryptocurrency. (This information is for the time of the writing of this book.) It's proved itself to yield massive returns, and the worth of some currencies has skyrocketed but hasn't begun to plateau. (One bitcoin was worth $0 in 2009. At the start of 2020, it was worth just over $7,000. In 2021, it reached over $60,000.) While there's been wild speculation about when or what you should invest in or which currencies will be strongest in time, there is significant consensus that cryptocurrency is the biggest financial disruptor since maybe the invention of money. There are people putting cash into it—and its underlying blockchain technology—that have never invested in their life. This is *Wolf of Wall Street* stuff; investors are jumping in like they're "getting in on sunlight before there was f-ing sunlight."

Being strategic with crypto is about sourcing your investment funds intelligently with something that can withstand tumult, since you're basically betting on a horse at its first derby. This type of investment doesn't behave like your other market investments; it's more of an investment in money itself. It might be determined to be your *fourth* power, and it's definitely not a replacement for your power threes.

There is a strong possibility that cryptocurrency will weaken the U.S. dollar, and you must consider the future of your money with this in mind. This isn't to say that you must invest in cryptocurrency immediately, but you must structure your strategies with the knowledge that it will inevitably impact the worth of your wealth. If you have $400 million in savings, you might feel safe today, but if the dollar becomes worthless, what will you be able to do with it? Cryptocurrency doesn't go directly to the government in the form of taxes; it doesn't support many businesses that sell goods and services; and it doesn't support institutions. This will surely be different in the future, and when this shifts it will surely affect you as an individual. There isn't a way to prevent this disruption, but if you take on a macro mindset you may be able to shield yourself from its impact.

Because it is such a hot market, there is extremely high growth potential when you get in at the right time with the right token. Due to this scintillating promise of wealth, many people try to get rich (or richer) quick with crypto, but this involves significant threats and many tactical issues. For one, the government requires citizens to pay taxes on the gains they make, but it has to be paid in dollars. Therefore, you must back up what you've made with liquidity in your savings or sell some of your currency to turn it into dollars. If the investment drops suddenly and everything is gone, many people get stuck with the tax bill but nothing with which to pay it. Some individuals who have almost no liquid wealth in U.S. dollars have become wildly wealthy in crypto within a single year, but if their currency tanks before they're able to pay on the gains, they find themselves in a proverbial debtor's prison. Sadly, there are devastated crypto investors who have taken their lives due to this debt. Cryptocurrency is an interesting piece for your financial board, but it's not a golden goose, and there is a price to be paid for winning big.

There isn't much that you can buy with crypto, so it doesn't translate into much in terms of your way of life. It is possible, and wise, to buy appreciating tangible assets like real estate (if all parties are set up for it), or collectible cars or investment grade luxury watches. If you want to spend on more things you have to translate it into dollars.

You should strategize with crypto from two perspectives: the investment side, and the currency side. What wealth will you build from the investments, and what will your currencies represent in terms of spending power? Both sides of the coin should be worked into your strategy, though may wish to lean into one aspect more than the other. The main thing that you have to remember is that there is a chance you will never see the money you've put in again. The worth of all cryptocurrencies is volatile and will swing back and forth.

Cryptocurrency has the potential to be a significant investment, not just because of its impressive potential for returns, but because it's built on a technology that is shifting the way we will do business in the future, and potentially much more. Though it is still in its infancy, blockchain will become a beast that is larger and more powerful than we might begin to imagine. Cryptocurrency is built on the back of this beast, rising with it, and you will not want it to be treading on your wealth.

This investment isn't about finding a steadfast strategy as much as it is about adopting a mindset. These currencies have their place on your financial board, but the best maneuvers have yet to be developed, and because crypto is not a stable market, the right approach will change with time. Whatever you choose to do with it, don't abandon all else to marry this unpredictable and potentially devastating investment just because it promises to be important. You must take the macro approach with this temperamental minefield and move it to stable wealth, within your greater portfolio of investments.

Investing is not a strategy in and of itself.

Investments are just a few pieces on your board, and if you think they are the most important aspect of your wealth, I don't care how many millions or billions you're making, you are mistaken. The only way to maintain massive wealth is with a macro portfolio. Rather than the separate micro portfolios of stocks or private equity, your macro portfolio includes different investments, types of investments, and different powers. It involves every piece on your board; when one element is weak the others fill in, and the money you move from one investment into another strengthens them both. You aren't just looking to grow one or two grandiose money trees, you're filling out an entire forest with sources of income that will survive many seasons. You don't have to change your specialty; it simply shouldn't be standing by itself, no matter how immense it is. When you shift to a macro portfolio, you're putting giants on the shoulder of giants. You're building exceptional exponential wealth, not just impressive returns from a single market or specialty. The point isn't to abandon the things you excel in. Specialties are powerful, especially in terms of investments. If you have your strengths you should use them. Just don't become short-sighted. You must have more than just a single micro in the battle, you must reinforce with more markets, more ideas, and more intricate ways to implement them.

If you repeat the same tactics, then you are simply winning the same way over and over again. These wins may add up, but they won't work when things shift around you, and they won't give you more growth in more ways than you know today. If you get tied solely to high-risk investments, or to a single specialty within them, you are boxing in your money tree. If you are solely reliant upon dividends or your favorite blue chip stock or token, I promise you will be shaken by the winds of change. Chasing returns is an important part of the wealth-building phase. But if you confuse the rates with real purchasing power; if you think that the value of your stock represents your ability to live the way you want to when you're 85, you're going to wake up in a dark future.

Power threes may be your secret weapon. But they are not sustainable in every phase of your wealth, and they will not protect it. Investments are not a strategy by themselves. Massive success sits within all three powers. It is about the way you leverage them within the entire macro portfolio, the way you align the pieces and synchronize their movements to win multiple times in infinite situations.

At this point, you have been introduced to one aspect of the macro mindset. Be sure to read the rest of Money Rules to move into mastery.

You may also wish to receive a complimentary personal coaching session on one or more of the Money Rules.

Schedule My Session

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