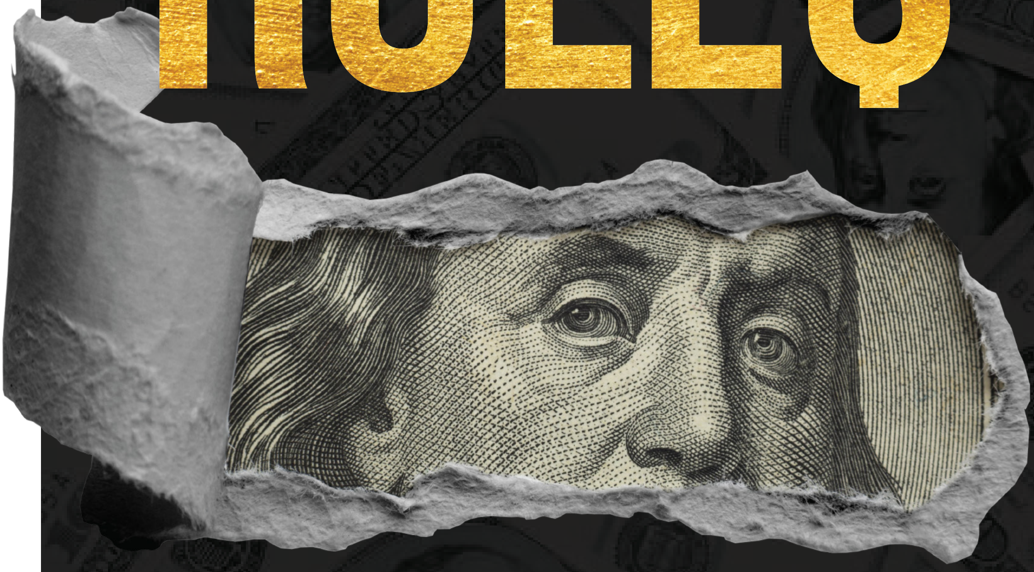
AN EXCERPT FROM

MONEY RULE$



CHAPTER 3

PROTECTING MONEY

HARRY ABRAHAMSEN

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

It's not what you make, it's what you keep.

CHAPTER 3

Protecting Money

During feudal times, lords, kings, and queens would display their wealth and power through lavish architectural styles and impressive stone castles. There were no bank accounts or investment portfolios. Interestingly, back then, wealthy families understood the importance of protection. They built elaborate moats with drawbridges, massive doors, and archers upon the wall to keep away any unwanted visitors—and they spared nothing to do it. This wasn't some situation where the king and queen thought for a moment and said, "I don't know, do we need it?" Security was built into the structure without question, and the wealthier the family, the more they invested in their defenses. But now most people focus on playing "offense" with their money and forget all about protecting it or playing financial defense—until they get blindsided. Their paper (or digital) castles with their returns and revenue have no moat.

Even without an MBA from Wharton, people in feudal times understood the importance of deploying resources to protect their wealth. Those valuable resources could have been used to make their castles bigger, but they understood what was at stake. Instead, you might seek growth with a blind eye to protecting what you already have accumulated. Taking risks is okay until something bad happens—the question you must ask yourself is how much would a mistake cost you?

You might take pride in your businesses, your brokerage accounts, your rates of return. But they are numbers on a sheet or a screen, and they aren't solid or reliable like the castles of old. There's not a security system in the world that will protect your bank account or your business portfolio. The only "guaranteed" protection is the Federal Deposit Insurance Corporation—which I assure you is not failsafe when you have multiple commas in your accounts. Beyond that, everything you own is ready for the taking.

You may be gaining more wealth per year than you could have ever imagined, but do you have a backup for that? Your wealth is wide open to endless, unknown influences that may devastate it, yet you're living as if it would replicate itself fast enough to recover. But in the same way you might never have imagined what you could earn, you may never imagine what you might sacrifice, or how soon.

The biggest threats are the ones you don't know of yet.

There are risks that are regularly discussed: trade wars, the next quarter's returns, budget deficit forecasts, and elections. But the real risks are the things that aren't being discussed yet, the ones that weren't predicted: pandemics, September 11, Pearl Harbor, the Lehman Brothers not being able to find a buyer. (Yes, 2008 was so devastating that the name Lehman Brothers, one of the most prestigious financial institutions in the world at the time, was treated like a leper because of their balance sheet.)

BLACK SWANS

In 2020, the world changed for good with the arrival of COVID-19. It shook the foundations of society, business, personal spending, family needs, the housing market, not to mention the social dynamics. On September 11, 2001, the U.S. was devastated by an attack that took the lives of many, turned the lives of many others upside down, upset the markets, and started a war. World War I and II, The Great

Depression, The Great Recession, and the housing crisis—these are all far reaching black swan events that affected individuals, markets, and sometimes entire economies. If you had brick and mortar businesses during the pandemic and weren't able to make up for the downturn in foot traffic, you were devastated by a black swan. If you had real estate properties in New Orleans during Hurricane Katrina, you experienced a black swan. You may have only just recovered from this. There are also many personal black swans that affect you and your family—a diagnosis of a degenerative disease, a career-ending accident. Black swans are inevitable, and they may destroy your wealth no matter how much you have today. You are not safer if you have more; there is simply more to miss.

Black swans are like the red light in the child's game of Red Light, Green Light. You're going about your life at whatever pace you want, and then suddenly you stop dead in your tracks. Unlike in the game, you have no idea that a black swan will happen until everything around you turns to dust. It's like a transcontinental ballistic missile. No one is thinking about it until it's traveling through the air.

You must always be prepared to be stopped by the red light. You will never be able to predict what a black swan will be, but what you will be able to do is accept that there will always be more and mitigate the damage by having financial bunkers and shelters built into the structure of your wealth. You may not be able to protect yourself against everything, but you can at least protect some things from something, and if, say, you survived a stock market crash because you had plenty of money safely outside the markets and the bank, it would be worth the investment in whatever measure of security you had put in place.

There are tens, if not hundreds, of invisible forces actively invading your wealth, sometimes all at the same time, and if you don't build a moat around your paper castle, it will be plundered. In fact, as you are reading this book your money is under siege through erosion, if not something worse.

Some people put their faith in conventional financial wisdom, trusting that it's enough to protect them. Maybe their income is so vast they don't think about it, or they're getting incredible returns on their investments in the moment. They might be young and famous, and they think they've got money to burn. They've got millions to throw away. Then why aren't they putting a penny towards protecting it?

There are a lot of people who've indulged in this sense of invincibility, who've trusted the traditional approach would work, but you know where they are today? They too thought they could get by because they had so much to spare. Unfortunately, the inaccuracy of this belief hit them hard. The list of insanely influential people who have gone bankrupt includes, and is not limited to, Billy Joel, Nicolas Cage, Francis Ford Coppola, Oscar Wilde, Mike Tyson, Walt Disney, Famous Wally Amos, and Larry King, not to mention a number of U.S. presidents. Prince died without a will; so did Aretha Franklin. NFL coach and quarterback Mark Brunell earned $70.6 million, and he lost most of it to real estate investments and business mistakes. Robert Kiyosaki himself experienced bankruptcy when his company didn't pay enough royalties on its seminars. (Thankfully, his personal wealth stayed intact because he knew how to protect it.)

If you are in the public eye, it's assumed you've got the best of the best in everything, including your finances. This still might happen to you, though, and the sense of invincibility you have from being the best at what you know will not save you from what you don't. And it won't save you from the mistakes that the people and the institutions involved in your finances make. The markets, business failures, personal black swans, and death itself will take you by surprise. But whatever the reason, the same problem sits at the heart of each of these stories and the thousands like them: the failure to have a financial security system. It's not my intention to add insult to injury if you're one of these individuals. I am simply saying, do not believe you are safe just because you have a ton to sacrifice. Hear this and don't forget it: if you have a lot to spare, you have a lot more than that to lose. When you sacrifice your wealth by not securing it, you don't just sacrifice what your money is worth today, you give up what that money will be worth in the future, and that may be exponentially more.

Joe Robbie was the owner of the Miami Dolphins from 1966 until his death in 1990. At that point, his assets, including the team, went to his wife, and upon her death in 1991 at the age of 69, transferred to his children, who were faced with the true cost of not being prepared for their black swan—the inevitable death tax. Before their father's death, the siblings valued the team at $68 million, and they must have sat back thinking that things would work out just fine. Keep in mind their advisors must have been involved in this plan with them. But the IRS did not agree with the valuation. They had a different number in mind that resulted in an inheritance tax of $47 million. Talk about a mistake. The family didn't have that kind of money on hand, and they found themselves with no choice but to sell the team. The financial terms of the sale were not disclosed, but *Financial World* estimated the worth of the team at the time to be $145 million, the fourth highest in the league. This was a staggering loss for the Robbie family, not just because they had to sacrifice their team, but because they lost what the team was going to be worth later, both as an income generator and as a sellable asset. Their biggest sacrifice was the team's exponential worth over time. It was valued at $2.9 billion dollars in 2020; the Robbies got somewhere in the range of $150 million. All they have today is whatever they might have remaining from the sale, minus the tax, and Joe Robbie's name on the stadium.

With massive wealth, sacrifices are exponential.

When you fail to secure your wealth, you aren't sacrificing just your assets, you are sacrificing what they would have become. What would it have cost the Robbie family to secure the lion's share of their wealth? Taking some chips off the table in the moment is a tough decision because those chips are getting you your rate of return. But what do those chips really mean when compared to the entirety of your wealth? If you were the Robbies, how much would you spend to avoid sacrificing everything? What about the wealthiest influential people in the world? What are Paul McCartney, Bono, Elton John, Jennifer Lopez, Bruce Springsteen, Jerry Seinfeld, Jack Nicholson, Tom Cruise doing to protect their empires? Oprah? Even Bezos isn't too removed from the touch of bankruptcy. Time will tell.

Protecting what you have accumulated is just as important as making it in the first place. What you have is precious and potentially fleeting. You know that it costs money to keep precious items safe and that you will always have to pay for this. You either pay the cost now to protect what you have, or you pay the price in the future for not protecting it. And the price of avoidance is always going to be greater than the cost of protection—if not immediately, in the end. Sure, doing nothing is "free" in the moment, but will you feel the same way when it costs you all of your wealth? You will always pay something, and skimping is the most expensive decision.

The cost of protection is not just a fee you pay—it usually requires you to make a trade for a smaller amount in your account. The piker's mistake is to avoid this sacrifice, but the secret of those who maintain their wealth is the ability to understand and embrace this, to work toward the final win, not to chase the tail of the markets or the offers most immediately presented. This is the sacrifice you make to put a wall around your wealth—the intention is to never give up your way of life, even if you miss out on just a bit more.

Maybe you are brilliant at investing. You have killer instincts or you've got a great broker. You're the best player at the table, that person that just won't be beat. You're masterful at timing markets, choosing wisely, and moving your money around. You know how to build and grow your assets, to reach the highs and make even more, you have the golden touch. But what do you do when the market is down and you aren't able to avoid the impact? What happens when the black swan arrives? If you've stopped working and are withdrawing, maybe with

RMD's in the mix, things get real when your investments are down. You won't want to sell your Apple or Google stock to satisfy your annual requirement. That 4% "safe" withdrawal rate becomes just another obsolete financial strategy in the face of the changing tides. Are you just a fair weather investor or do you have what it takes to survive?

Money in the markets is just a number, and it can go up and down throughout the day, and the money in your bank is not as safe as you think (which I will get into soon). Until your wealth converts into your way of life it's worth nothing to you, and it can be swallowed up by an act of God or a straightforward bad business venture. Without a moat, your money may be eroded or seized, and at best, it will quietly burn in the bank due to inflation.

In the wisdom of Robert Kiyosaki, it is not what you make, it is what you keep. Yes, you have worked hard, invented something, inherited something, created a legacy, found your life's work, and made the sacrifices to accumulate the wealth you have. You built an empire, and you made it with the wisdom you earned from the school of hard knocks. But even empires are not impervious to outside forces. Do you think your accounts are so strong that you are invincible? In what world does a lot of money and power ensure safety and security? On the contrary, the more you have and the more potential you have to increase it, the more threats will arrive and the more you will lose in time. In the same way you must plan for your wants, you must strategize for the disasters that you don't yet know about.

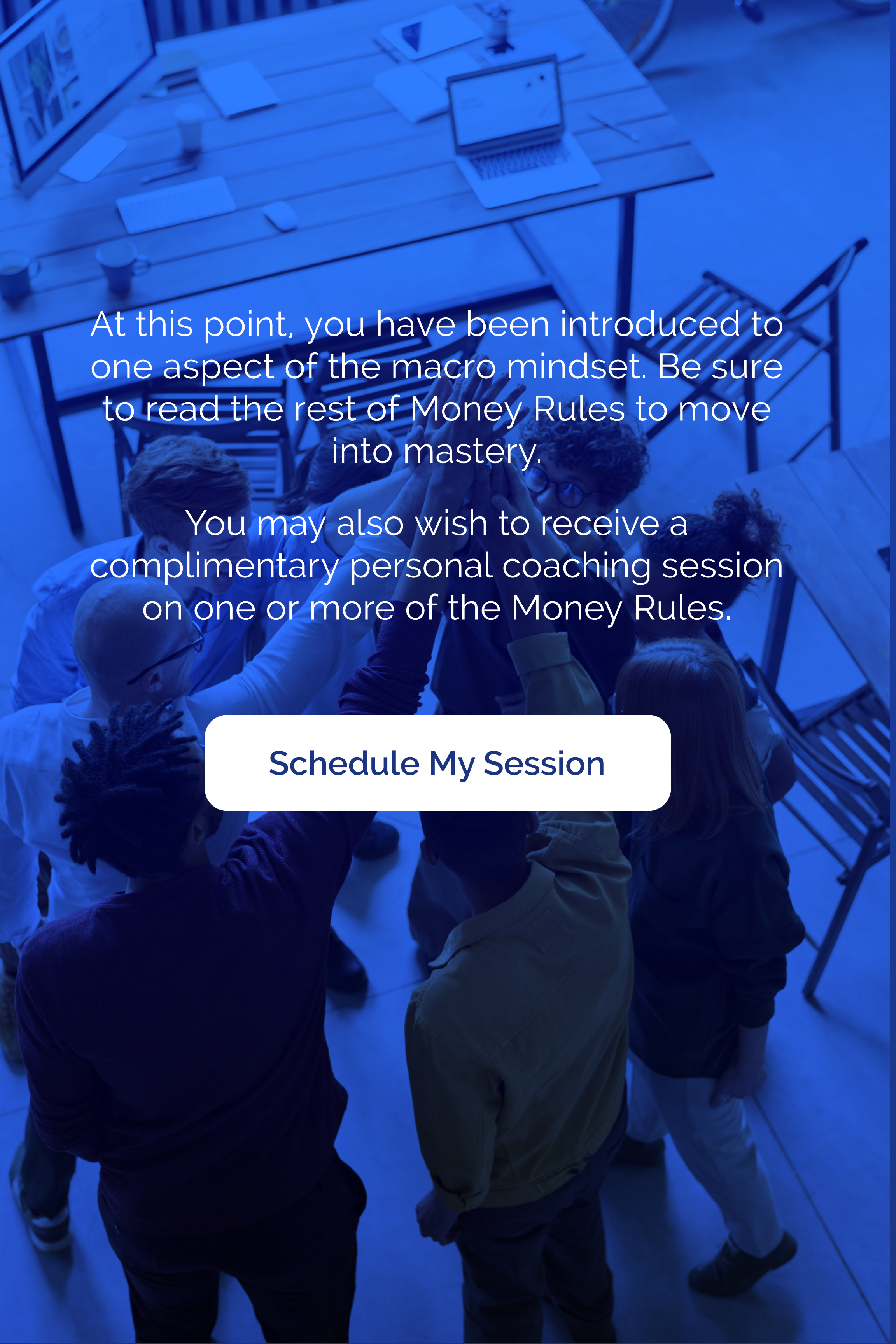
SUSTAINING YOUR IMPACT

Many people are devoted to initiatives that have a significant impact on the future of society. The more money that they maintain, the more immense this impact may be: money is one of the most important ingredients in improving our world. Unfortunately, when people stop working and are reliant on their investment income alone—particularly if this results in a lower capacity to spend—these initiatives are usually the first to go. If you haven't set up a structure to maintain your wealth, you may find yourself handing institutions and foundations to someone else and distancing yourself from issues that are important to you. You must protect your wealth to maintain this ability to provide.

Structuring your financial estate securely is about having an unmatched beginning, middle, and end game. This includes creating multiple streams of income and using different asset classes to mitigate every threat to your wealth—bad decisions, tax law changes, weak investments, inflation, and all the rest of the wealth-eroding factors, including the worst of the black swans. It includes storing and sourcing money intelligently and using investment vehicles and tools wisely, sometimes outside of the traditional manner. It involves creating safe shelter. And as you build more wealth, this system must become stronger. Every wing you add must be protected by the moat, and it must not threaten the security of the other sections. You must have your financial bunker.

Over the years I have listened to thousands and thousands of clients and prospective clients talk about how they perfectly timed the markets to manage risk. They will declare that the markets came back up and that everything ended up ok. I have heard all the success stories. But I have also heard the unfortunate stories. For every "I am okay story" I've heard, I've watched an unfortunate story of people who have amassed massive amounts of wealth just to lose it all. It takes just one black swan—not even a big one—one unexpected death, or one under-valued asset, or one bad business venture, or simply bad timing with the markets. And the biggest threats to your wealth are the things no one is even talking about. Imagining you are ok because things haven't gone badly yet is like riding in a car without wearing a seatbelt saying that you haven't gotten into a bad enough wreck yet.

Your wealth buys you your way of life, including all the things you invest in to keep your family safe and all the things you have in place to make the money that you make. Don't allow all of it to be seized just because you thought you had enough to stop worrying about it. You will never be wealthy enough to stop worrying about the state of your money, but if you're smart about securing it, you won't have to worry about it becoming a memory.



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

WRITTEN FOR INFLUENTIAL INDIVIDUALS, ENTREPRENEURS, BUSINESS OWNERS, AND FAMILIES WITH MONEY

9 RULES TO MASSIVE WEALTH

MONEY RULE$

Not your traditional book about money

HARRY ABRAHAMSEN