AN EXCERPT FROM

MONEY RULE$

CHAPTER 7

MOVING INTO MACRO

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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.

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CHAPTER 7

Moving into Macro: The Strategies

You might think that the captain of a sailboat is the mastermind of the journey. But in boat racing, there is someone else working behind the scenes, someone who strategizes movements and adjustments that inform how the captain steers. This is the specialist on board who knows the specific tactics that should be employed to master different situations. This role is termed, not surprisingly, the *tactician*. The tactician's job is to get the yacht around the racecourse as fast as possible, taking into account the wind, tide, the other competitors, and the crew's ability. While the captain ultimately decides what to do, the tactician presents the strategy. Being the master of your wealth involves being both the captain and the tactician. You've begun to be the captain as you've been reading this book, but now it is time to start being both. When you have some of the foundational tactics under your belt, you will be able to strategize ways to implement and combine them in different situations. You will be able to maximize your micros by putting them to work beyond their initial obvious roles and steer them in service of building your wealth. By absorbing some of the tactics in this book, you will move deeper into the master's mindset, and you will be inspired to implement various strategies across scenarios. I am by no means sharing an exhaustive list, but this basic tactician's manual will help set the initial course.

Before we dive into tactics themselves, you must know the macro principles behind them.

Keep your money in motion. The ultimate aim of macro strategies is to move money in and out of power ones, power twos, and power threes like the sailboat tacks, like the grandmaster moves the pieces on the board. Instinctively paying things off or paying upfront just because you can reflects a scarcity mindset that is based on what you think you should be doing. It may feel like the right thing to do, but it won't build your wealth the way it should. Forgivably, this is a popular strategy advocated by many money advisors today: don't get into debt, don't delay, don't pay for more than you need, and keep your wealth safely in the arms of the "trustworthy" institutions. But this strategy doesn't translate in a want world—it doesn't truly build wealth, and it is most definitely inefficient.

When you save money and then use it to pay for something, it simply goes from Point A to Point B and then stops moving. What you have resets back to the beginning, as if you are starting from scratch over and over again. People try to mitigate this problem by pursuing investments with promising rates of return, but this just increases risk while tying your wealth to a single power.

Now, you'll want to be paying for things right away much of the time, and it's important you do so or you'd be living beyond your means. But your job as the grandmaster, as the tactician, is not about stockpiling money into savings to stay secure. Your job is to keep your money in motion. Your job is to strategically move money from one micro into another micro so you can pay for the things you want in a way that makes you more money. This is about making a move in order to make a better move. Sometimes this means having an untraditional relationship with borrowing money, which we will get into soon. The point is, macro tactics focus on improving and protecting your gains while maintaining your way of life.

Turbocharge your wealth. The typical Audi has a combustion engine that is powered by gas, from which it produces waste in the form of exhaust, while the Alfa Romeo Stelvio Quadrifoglio has a turbocharged engine. This car also uses gas, but it converts its own waste (its exhaust) into energy to turbo-charge the machine. You might be able to get to where you need to be with an Audi, but you want the Alfa Romeo. Financially speaking, turbocharging involves recapturing wasted money, such as taxes and lost opportunity costs, and putting it back into your financial machine.

Imagine you have a muni bond, which is tax-advantaged, and you redirect the interest into a power one insurance policy. (I will get into this strategy more in a later chapter.) After some time, you might borrow tax-free money against the policy to buy a second or third home while the muni bond continues to fund the policy, which keeps growing tax free. You might then sell the home at a higher price, or rent it, and use the income from this to pay for your child's ivy league tuition. You would still be gaining tax-free interest in the insurance policy, and you've created multiple returns by using the original dollar multiple times. And you'd have gotten a home and an incredible education with it. Multi-faceted macro tactics turbocharge your assets, multiplying your ability to pursue your way of life while building more wealth.

Take advantage of the velocity of money and the multiplier effect. The *multiplier effect* is a fundamental concept used by banks when they take a deposit from one customer and use it to lend money to another customer. By lending money out over and over with credit cards, home loans, student loans, business loans, et al. the bank increases their supply and their returns. The *velocity of money* in this situation is the measurement of the sum of what is moved across the accounts in relation to the deposits. If we cloned the bank's strategy in your personal finances, we might define your personal velocity and multiplier effect as the result of using one dollar to get multiple rates of return. It's similar to playing pinball. The object is to keep the ball in motion and rack

up as many points as possible. You don't just hit the ball a few times, stop playing, and declare that you won. The ball must never drop. You must keep it moving for as long as possible so that you can maximize the possibility for points. The multiplier effect works similarly—more movement and more time in motion means more money.

In the turbocharging strategy I mentioned: if you had a physical representation of the money that you siphoned from the power three investment, you'd see it multiply with each movement like a rock hitting still waters. The money would behave as if it was worth many times more than the initial amount, rippling out to power more things and more wealth. This would be massively more impactful than if you'd kept that money in a power three investment within that same timeframe.

Borrow to create leverage. Many people who are savvy about traditional financing strategies follow the trend of getting out of every kind of debt as fast as possible—*owning*, not *owing*. But owing is just *borrowing,* and borrowing intelligently buys you time and leverage, reduces risk, and multiplies money. With time the investments you make with the money will experience exponential earnings, and thanks to inflation the worth of the amount you owe will decrease. The money multiplies multiple times without depleting your wealth, providing you with massive leverage and gains but without risking anything in terms of your way of life. I will get into borrowing more in a later chapter, but the important thing to remember is that you should be making money without sacrificing the money you already have. Sometimes the best place to find funds is in an account that belongs to someone (or something) else.

Before you begin implementing these tactics, you must prioritize your interests with future initiatives in mind. Do you want to trade impressive rates of return on some of your investments for the sake of some financial security? Are you putting money aside to hedge for

potential changes to tax requirements or spending with today's rules in mind? Will you be attached to preserving all your liquid assets, and if so, are you willing to let them slowly burn? What will you do to mitigate that? When will you touch those assets and what will you power with them? Will you move some money from your savings into a tax-sheltered trust? Will that trust serve as an inheritance or will it pay for estate taxes when you die? Do you want two different trusts? You must play the scenarios right through to the end. You must determine what time you have at your disposal, what will be required beyond the most immediate move, and how your micros might behave when things shift around them. Remember that you must always be flexible, because, just like the tides in the ocean, the influences on your wealth are always changing. With this all in mind, you may put your micros to work with the right timing and with consideration for the possible twists and turns of fate.

RECAPTURING THE "LOST" OPPORTUNITY

In financial theory, *opportunity cost* is the potential money that you give up by making one buying decision as opposed to another. It is the difference between the price of the highest-value decision and another decision when compounded over time. Essentially it is what more you would have if you made the best decision, what it "costs" for you to pick the less financially desirable option. It is a pure hypothetical—this potential money doesn't show up on your balance sheet. It's simply the potential for something better if you made the best choice.

Imagine that two different car dealers wanted to sell you the same car, but the second dealer offered the car at a price that was $3,000 lower than the first. If you chose to go with the first dealer at the higher price, the opportunity cost (what you'd lose from making the more expensive decision) is $3,000. If you chose the less expensive car from the first dealer, this difference in price wouldn't affect your net worth. It's just the best option.

Where opportunity cost is the lack of a potential gain, *lost opportunity cost (LOC)* is the presence of a real loss. This represents real ongoing payments or costs such as taxes, term premiums, loan interest, financial fees, maintenance fees, and service fees, etc. The *LOC rate* represents the highest rate of return, net of taxes, that you would have paid over time. If you recapture or reduce this cost, such as with tax savings, the recouped amount will show up in your bank account as an *opportunity gain*. Recouping lost opportunity cost is about recapturing money that would be spent on wealth-eroding factors (the taxes, fees, etc.) and putting it somewhere better.

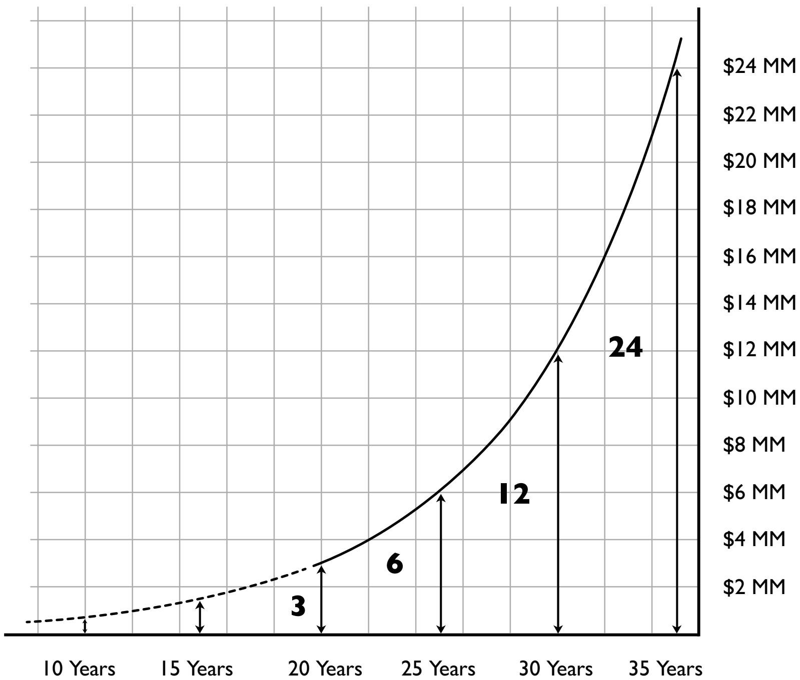
Whether it is calculated by your financial advisors or not, the price of missing out on potential money has a very real impact. Being macro involves understanding the potential financial cost of every decision you are making, whether you initially realize it or not. You must be seeking the path that turbocharges your wealth, and this begins by recouping waste and pursuing efficiency.

THE EXPONENTIAL CURVE

We are all born with one exponential curve. This curve represents the growth potential of your money over the course of your lifetime, and it starts the first time you invest. Masters of generational wealth like the Rockefellers understand the importance of doing this; they invest in their children's financial potential in their first moments to maximize this potential, and with each generation the wealth increases. There are probably fewer than 1% of people who started their exponential curve at the time of their birth (these might be the true one-percenters).

The numbers increase gradually at first, but in the 20th year of an investment, you begin to see exponential growth. That means you must be willing to sit tight with investments for a few decades if you want to maximize your returns. As time passes, you start to see an impressive rise, and it's worth imagining what it would be after 100 years, or more. Macro strategies strive to maintain this curve, even while you tap into your investment to pursue your way of life.

Exponential Growth Uninterrupted



The Three Powers in Macro Strategies

Power One Life Insurance: The power to not lose

I reference insurance throughout this book because it's an important, misunderstood piece for your financial board that provides the agility, protection, and access required for building massive success. Power one whole life insurance is a sophisticated tool—a bundled product with a multitude of moving parts that may be used strategically in many different strategies, and sometimes in multiple ways.

You might have immediate resistance to the idea of life insurance, and there is some basis for this. There are many bad insurance policies out there, insurance agents may seem dubious, and it is rare to find reliable information on the subject. People often assume that life insurance is solely for the beneficiaries attached to the policy and wouldn't benefit them or their beneficiaries before their death. Because people don't have the same relationship with insurance carriers as they have with their bank, people fear that insurance companies aren't safe places for their money.

The fact is, though, that your insurance company is one of the most stable institutions there is; banks invest billions of their dollars in insurance companies because they are so secure. Insurance carriers have a reserve requirement of 103%, which means every dollar that is represented in every whole life policy is backed up in their reserve—the money in your policy is real money that is sitting safe and sound, available for you to borrow against. (Banks are only required to have 10% of your money in their reserve, and this is further capped by FDIC limitations.) Power one whole life insurance policies are the unicorn of investments because their worth always increases, no matter how much you spend. When you access the money, you aren't withdrawing from the policy balance (the cash value). Instead, you borrow from the insurance company *against* the amount in the policy, with the money

itself used as collateral. This means that you have an asset that is always increasing in worth exponentially, no matter how much you borrow. This money is paid back when you die—the insurance company will take out what they are owed from your benefits before paying out to your beneficiaries. There is a small interest rate associated with this, but it's minimal in relation to the benefits.

You will never be taxed on what you borrow from your insurance policy because it is in the form of a loan and the government does not treat loans as income. Therefore, this money sits outside of the gaze of the IRS—you aren't required to report on any growth or how you spend or invest this money. It is a private sphere where you are truly the master of your money; it's your domain, and yours alone. As opposed to your 401(k)s, IRA's, and Roth IRA's there are no limitations on what you are allowed to contribute to power one insurance. The tax shelter alone is a massive reason to have a power one asset in your arsenal.

Whole life insurance is not known for high rates of return, and because of this people sometimes overlook it as a way to build wealth. But that's the micro mind at work. Instead, you must be working with the whole board in mind. The secret of this power is that it creates multiple rates of return. There is the "internal rate" within the policy. There is the "external rate" that you get from moving money from the policy into another investment, such as stocks or private equity or your business—while you continue to get the internal rate from the policy. And there is the "eternal rate" of return that you receive from the death benefit. The way to use your power one insurance for wealth building is to put your money into your policy to get the internal returns in motion, then borrow against it to invest in a power three or power two, and then invest the income you get from that investment into something else. The internal rate of return becomes irrelevant when you're getting multiple rates of returns across many powers, and this total return is much more than what you would have gained if you'd gone straight to your power threes instead.

One of the massive mistakes people make is they decide to buy life insurance only when they think they *need* it. Mind you, this is an example of making a financial decision based on perceived needs, when we live in a want world. Life insurance is a tool that can be used in many different ways over the course of your life. It's an important piece to successfully build wealth. The only caveat is that if you delay, you may weaken the possibilities for this piece and may run into issues with regards to health requirements. People in their 50's, 60's, and 70's can bring this piece onto their board and open the door to many tactics, but their exponential curve would not reach its full potential. That said, it's never too late to pursue the things you want and never too late to bring this piece into your board.

There are many different types of life insurance policies, and they all function differently. Think Formula One, Indy, and NASCAR. NASCAR vehicles are the heaviest of the three, averaging over 3,250 lbs., compared to just over 1,500 lbs. for F1 and Indy cars. The increased weight is carried by a 5.86-liter V-8 engine, whereas the lighter F1 and Indy cars are fueled by a 1.6-liter V-6 and 2.2-liter V-6, respectively. Like these cars, different policies behave differently depending on their makeup. A NASCAR car will not behave as if it has a V-6 engine. It's not an Indy car. You cannot build a bank with universal life insurance.

I will be sharing with you many strategies that implement power one insurance, and they may be structured somewhat differently based on their purposes. Some plans have higher death benefits and lower premiums, so with these you'd focus on what you leave behind, rather than tapping into the benefits while you are still alive. These would be useful in the Pension Max tactic and the Permission to Spend tactic below. Some whole life plans have higher living benefits and lower death benefits, and those are better for saving and spending during your lifetime, as you will be able to borrow more. These are best for Building Your Own Bank, as discussed in a further chapter. Then there are the plans that bridge both worlds but sit in the middle in terms of benefit and price, so they'd work for all purposes involved. You simply

must choose what works best for the strategies you want to implement and your individual situation. Though no matter what you choose, you will always be working with the same type of policy—paid-up whole life insurance.

The important thing when it comes to approaching a power one asset is that you make the insurance company work for you. You must go in with an understanding of what you want to accomplish, and you must be unwavering with your plan. I will be getting into this more as I teach you how to use power ones in the right way.

Power Two Annuities: The power to gain and not lose.

I would wager that most wealthy people, including those who sit down with their money managers from time to time, have never leveraged power two annuities. These assets are treated as if they are salt and pepper shakers. The Michelin chef insists that their dishes would never require these additions. But power twos shouldn't be thought of this way. Annuities should be treated as if they're the spices in the marinade. They are the bishop of the board, and they will always have a crucial role to play in the strategy behind your wins. In addition to being brushed off, annuities get a bad rep because the different types are judged together as a whole. This is short-sighted. Saying that all annuities are bad investments is as simplistic as saying that all water is potable. Ever hear about Chernobyl? As with everything, there are many different options and many bad choices to be made. You must be sure to select the right piece for the task and play it the just right way for your strategy to be sound. There are a number of variations you may play with, but the indisputable requirement is that there is the assurance of a floor of zero and zero market risk. Below I will discuss a specific annuity that is valuable for many strategies, and I will return to the subject of power two annuities in later chapters.

Fixed Index Annuities (FIA) are investment vehicles in which the growth is pegged to underlining market indexes (rather than stocks

themselves). These investments have a floor of zero, and this means the investment is 100% guaranteed never to lose value if the market index is down; the FIA will only ever participate in the growth of the index. There are many variations, participation rates, and time periods, but generally the longer the term of the annuity, the greater the growth potential. Because there is no market risk, and because there is no fee involved, this power is very attractive.

Investing in FIA's is similar to investing in real estate, because they are both fairly stable and the values don't fluctuate from day to day. The difference is that a drop in the real estate market will affect the immediate worth of your asset, but with an FIA you'll only ever experience the gains within it. FIA's provide growth potential and offer liquidity—you can actually pull money out of the FIA (up to 10% annually), and even when the indexes go up and down it will stand its ground. With this in mind, FIA's provide a viable alternative to brick and mortar, and people who like the safety of real estate should be well versed in these power twos.

FIA's are powerful assets in the distribution phase. You don't have to wait for the term to end before you can access the funds—you can withdraw up to 10% throughout the duration of the term, which gives you some agility within the Maximizing strategy below. Due to their floor of zero, these assets are a great place to draw from when the returns on your market investments aren't as strong and make a safe and important pot to dip into when you've stopped working.

You also have the ability to set your FIA up to be a guaranteed source of income after you've stopped working. If you add an income rider to the investment you will receive a guaranteed income stream for life, which will work within a few strategies I suggest in this book. (The riders come at some cost, but that's the trade you make for guarantees.) Depending on the performance of the index, the income may increase, which may hedge inflation.

Because equity markets are so volatile, indexed annuities are designed to be held long-term, and they work in terms of yearly yield—they grow once on an anniversary. This isn't a bad thing, it's just a different perspective for new investors. It's said that Warren Buffet refused to show the Davises (and many more clients) the results on their investments throughout the year. He reported gains once annually, and his clients were instructed to add or withdraw from their investment accounts on December 31 of each year. It's valuable to think about your investments this way, and there's nothing wrong with the year to year nature of the FIA. Good things take time.

FIA's are one of the safest, steadiest investments you may include on your board. These power twos should be put to work to secure wealth and to withdraw it, and they apply to many scenarios as a supplementary pillar.

Power Three Investments: The power to gain and lose.

Your power threes include your businesses, market-based investments, real estate holdings, private equity, stocks and bonds, cryptocurrency, and any other investment in which your returns may rise and fall. To dive into the best ways to work with this power, read the Investing with Intention chapter. For now, you should simply be aware that your power threes are any investments that are tied to markets or subject to downturns. They are the riskiest power but offer the highest returns, and because of this they are frequently the main power that people implement and rely on the most, which is as you will see by the end of this book, a serious mistake.

Below are some strategies that put these into motion to mitigate issues and maximize possibilities with different influences and institutions. What I will share may inspire a number of multi-purpose strategies and may be applied to similar scenarios with different specifics so that

you may be the tactician for your own money and maintain massive wealth.

The Tactics

These first three strategies are the most significant I'll share since they apply to the most important stage in maintaining your wealth—the distribution phase. This is the time after you stop working, when your money itself is your primary source of income, and it's the phase that will make the most difference regarding the state of your wealth in time. It is tempting to ignore this when you are still receiving an income and everything is working smoothly, but if you delay in setting strategies up, you will risk sacrificing it all. If, however, you work with the three powers, including in the ways I share below, you will be able to maintain and improve your way of life, well after you stop receiving an income.

Tactic: Maximizing Your Way of Life with the Three Powers

Power 1, 2, and 3
Micros involved: Money manager or insurance professional, CPA
Wealth Distribution phase

This strategy is the ultimate macro withdrawal strategy. It is *the* way to stabilize and maximize your wealth when you've stopped working. By now you're aware that most people rely too heavily on their power threes trusting that they will serve them safely throughout their final years. But that is not a sound strategy, and it won't stop you from depleting your wealth entirely. If you want to maintain your way of life, you must not put all the weight on the back of a single power.

The impressive rates of return with power threes are important for increasing your wealth when you're still earning an income, but these market investments may fall short when it comes to withdrawing money when you have stopped working. The impressive withdrawal

rates of power twos are incredible for withdrawing when you've stopped working, but they may fall short when it comes to their rate of return. This strategy is about maximizing their joint strengths, with the support of your power ones. It provides a buffer and uses all the different powers to fill in for weakness in the group. As Aristotle said, "The whole is greater than the sum of its parts."

This strategy has some specific suggested settings, but because the markets go up and down, they are built to be subject to change. This isn't about sticking to suggested withdrawal rates; it's about shifting different pieces to maximize your income. The suggested rates might never be implemented—they are simply a direction. You will be tacking across these waters, adjusting as the winds change.

For instance, when your power three and two investments perform well, you may want to withdraw more from them. When they are down, you may withdraw less from either or both, and you may involve your power ones to support them. You are the conductor of these instruments, and it's your job to produce a beautiful symphony. If you don't have your investments in sync, you'll find yourself with a fifth grade marching band clanking down the street.

First, you should know what you're working with when it comes to withdrawing from the different powers.

I'll start with your power three market investments as these are the most popular sources that people withdraw from when they stop working. In this strategy, you would withdraw 2.8-3% as a baseline. This is lower than the traditional 4% "safe" withdrawal rate, which I discuss more when I talk about the 4% rule. When the markets are up significantly, you may want to withdraw more. If they're flat, you should lower the percentage or avoid taking from them. If you have a negative rate of return though, you should stay far away from them. That is unless they are invested in a pre-tax savings vehicle that's subject to RMD's, in which you'd have no choice. It's disastrous to eat into your principal

from your market investments when they're suffering. It will be hard to break even, and it will significantly decrease the size of your returns in the following years.

In terms of your power two annuities, such as FIA's, you may take a higher percentage than with your power threes because any downturn in the underlying indexes will not wear away at your balance. You may withdraw 6% from these in a stable or good year and more in a year with higher returns. In a bad year, when the underlying index is negative, you would receive zero growth in the annuity. Though your principle and growth will be stable, you may want to withdraw a lower percentage or leave this untouched so that you don't chip away at your principal. However, even if you did, you still wouldn't be getting the same beating that you would if you withdrew from your power threes because the market downturn itself wouldn't be hurting you.

If your power threes are down and your power twos experience no returns, you may use your power one insurance as supportive income. Because you don't want to wear away your investments in the bad times, you must have something secure to turn to, and the money inside your life insurance policy acts as an ideal buffer to support your income during bad years. You should keep between 4-6 years' worth of income saved inside your insurance policy, and you may borrow whatever amount of this is needed at any point in time. There may be years in which you live on this insurance entirely. When I share more insurance strategies with you soon, you should be aware that you will have to make some determinations about the best way to use insurance, and what amount you'd want to have in place for this specifically.

The biggest threat to this strategy is the issue of RMD's. When you have post-tax power three investments (IRA's and 401(k)s), the required minimum percentage that you must withdraw per year (determined by the government) will put a spoke in things. You will be required to take more than 2.8% to 3% from these investments (the percentage increases as you age), and you won't be able to stop withdrawing if the

markets are bad. As you know, when you rely on market investments when they're down, it takes an impressive amount of time to become whole again, and it may devastate your portfolio. I will get into more dangers of post-tax savings soon, but this is a major reason not to put the majority of your wealth into tax-deferred plans.

To implement this strategy, you should meet with your money manager frequently (ideally quarterly), as well as your insurance professional, CPA, and any other micros involved in the adjustments you need to make. If you educate your money manager on this macro mindset, and if they are worth their weight, together you should be able to implement the best withdrawal strategy for your situation.

Tactic: Permission to Spend

Power 1
Micros involved: Money manager, Insurance professional
Wealth Distribution and Wealth Conservation phases

This strategy allows you to maintain money in hand to spend and control in whatever way you want in the moment, until you die. People are living longer than ever before, but most wealthy people want to be able to stop working while they still have the puissance to pursue their preferred way of life. (There are some individuals, and you might be one, whose careers must end when their bodies reach a certain age, sometimes as young as 35.) You may take pride in the impact of your work and maybe have a thriving business that you want to stay involved in, but you also want the time to pursue the things that are most meaningful to you—be it investing your grandchildren's lives, exploring the most incredible destinations the world has to offer, skiing in the Alps, involving yourself further in social initiatives, or seeing the sun set twice in four hours on a stylish airliner. All of this means that you might end up spending more years without a reliable income than with one, while spending more money on more things you want. This puts you in a dilemma when it comes to providing for your spouse

and other beneficiaries at the time of your death, and, if you are single, yourself, while you approach it.

It's inevitable that life becomes more expensive with age. You have more time to spend money on wants, you feel you deserve to enjoy your remaining years more, and your costs of care rise. Eventually you may want to hire live-in support for yourself or your spouse, and you will want only the best. Finally, there may be massive disruptions in major industries, the environment, or the government that will affect what your money is worth and what you have on hand when you no longer are able to make an income. You will be reckoning with a difficult choice between spending money versus sharing it with your family in their inheritance. This is where your macro strategies come into play, including your life insurance.

With the right insurance policy—specifically *low-cost whole life insurance* —you will be able to secure a guaranteed death benefit in whatever amount you choose. (This policy is slightly different from the whole life policy implemented in many of the power one strategies I suggest, because it would focus on providing the highest death benefit at the lowest cost, rather than the opportunity to borrow the highest amount.) With this death benefit, you are buying permission to spend your money while you are alive because your beneficiaries won't be dependent on the money you have in the bank when you die. This shouldn't be your entire inheritance strategy because, as you know, you must be playing all the pieces on your board. But it frees you to spend money today because you have the assurance that this death benefit will be waiting for your family.

There are many people of a later age that have never had a whole life insurance policy. It may seem irrelevant to them by this point, and they think it's too expensive. They'd prefer to have the money in hand. Think about this, though. If you have $15 million in the bank today and want to leave at least $5 million to your spouse when you die, you don't need to set aside $5 million of your money to make that happen. You just

need to pay the premium on a policy that provides a $5 million death benefit. It's easy to drum up this premium payment by removing some inefficiencies in your finances, such as unnecessary fees or tax burdens. You can even put some of your social security towards it, making the government pay the premium on your legacy. With this strategy, you will have the majority of $15 million to spend, and a $5 million secured for your spouse when you die.

This strategy solves the dilemma of trusts, which offer protection but require you to give up control over whatever money you put into them. Here you are still shielding money to provide in an inheritance but with no restrictions—and you are able to do whatever you want with the money if you want to shift your strategy or fund an impulse purchase with it instead.

If you are single, you may not be worried about what you leave behind. You may feel that the last thing you need is a life insurance policy. The thing is, if you're solely reliant upon yourself, you're probably solely responsible for your own retirement and the fallout from withdrawing from your accounts. (Don't forget you live in a want world.) You might be vulnerable to running out of the ability to pursue your preferred way of living because you have nobody to back you up financially. This would force you to keep money aside to prepare for the possibility of living longer than you expected and you'd be denying yourself the freedom to spend what you want on the things you want. If you want to push back on this truth, just make sure you have a good psychic. In this situation, permission to spend is about the ability to use all your money with the peace of mind that you won't be financially stranded in the final stages of life. This insurance becomes your backup; you become the beneficiary of your own policy in essence. When you've spent your last thousand and your bank accounts have dried up, this dear old policy will be the trusted companion with whom you spend your final years. With its tax-free income stream and security, you'll sail into the sunset with nothing but a penny of death benefit behind you.

Permission to spend is the permission to live how you really want to live. With this macro strategy, it is possible to live extravagantly while you are here and leave behind whatever you want in the way that you want.

Tactic: Pension Max Strategy

Power 1, 2, and 3
Micros involved: Employer, Insurance professional
Wealth Distribution phase and Wealth Conservation phase

If you're one of the fortunate people who have a defined benefit pension plan, you'd better know the best way to leverage it. This strategy is about moving your pieces in such a way that you enjoy the plan with the highest financial benefit, with the security and protections in place to support it. I will get into the history of the pension soon, and after you've read it I'm sure you will be glad to eke out the most benefits possible from the institution you work for. The specific tactics I share here won't always be the best for your individual situation—the most important thing is that you don't make decisions based on the plan you are first presented with today, because it may not be in your best interests tomorrow.

First, I will remind you how your pension works. With a defined benefit plan, when you retire, your firm provides you income payments that will last through the remainder of your life. This will be determined by a formula that considers your age, years of service, and your income. While you are retired you will receive this calculated pension income as a "defined benefit" and, barring any black swans at the firm, you will receive this for the rest of your life. This is where the plan choices and survivor options become important. If you choose the *single life* option you will receive the highest monthly benefit available but your pension will be finalized at the time of your death, so your spouse (who you may meet in your more senior years) will be left with a chasm in their income. If you instead choose the *joint,* or *survivor,* option, you will

receive a reduced monthly benefit, but when you die your surviving spouse will still receive some benefits, which may sometimes be lower. There are typically several joint/survivor options to choose from with different structures regarding the amounts available to you and your spouse today and after your death. Unless your spouse will be set up exceptionally well with their own independent income, it would be traditionally ill-advised for you to depend upon the single life option without a sound strategy. A traditional, prudent strategy might make this possible.

But does tradition belong in finances? Does it deliver *massive* success, or just the status quo that it promises? The right pension strategy is one of maximization. Instead of simply making ends meet, it provides you with the maximum amount of income within your and your family's particular scenario, so that you and they may pursue the best way of life with all minds at ease. It's not just focused on trades between money now and money tomorrow, and it certainly doesn't involve predictions based on hopes or hubris. Hope is not a strategy. And intuition is not financially sound.

While you are still working, there are many things you should investigate to prepare for the time when you stop working. If you want to collect the maximum income from your pension plan, there will be a price attached to your decision—it might be in the form of money, insecurity, or discomfort. You wouldn't pluck everything off a money tree and then just watch it wither...that is, if you didn't have a second tree. For example, if you opted into the higher income payment from the firm and there was an untimely event and God called you home early, your loved ones would suffer significantly, and the micro mind might not make that bet. But the grandmaster would have planted another tree for their spouse, in the form of power one life insurance.

The macro-maximum pension strategy allows you to safely take the single life payout option by using your whole life insurance policy to make up for the income that would have been lost to your spouse.

Upon your death, while the pension would no longer be paid, the policy would provide for your spouse. With this strategy, you would not only be guaranteeing this provision, you would be allowing the money to grow exponentially. Keep in mind, given the possibility that your spouse may live much longer than you will, it's important to make sure they are adequately set up with an arrangement that will be enough to continue to support them. You should seriously factor in the state of your health as you make this provision. Just as you must become realistic about your wants, you must become realistic about your death and its impact and plan in a macro way. Remember the Maras.

Many people who have defined pension plans are tied to micro strategies and end up taking less money from the firm than might have been possible simply because they didn't think things through. Whatever you personally decide, you must treat your pension as a piece on your board, not merely a check in the mail.

The following tactics run the gamut in terms of the different powers involved, different markets, different phases, and different desires. There are more tactics throughout the book that are specific to money rules in their section. For all of these, remember that things might change in time. The ideas behind these strategies, though, are timeless.

Tactic: Macro Diversification

Power 3, 2, and 1
Micros involved: Money manager, Market investments, Other financial products and protections
Wealth Accumulation phase

This strategy involves your money manager and the idea of *macro diversification*. I term macro diversification as the movement of your assets across your different powers, or your *macro portfolio*, the same

way that your money manager moves money in your market portfolio. This tactic is about diverting short term annual growth from power three market investments into other investments to manage downside risk.

In this situation, you would direct your money manager to withdraw half of the rate of return from your power three market investments, at a maximum of 6%, and you would redirect this gain into different assets, savings, and protections to diversify your risk. If the portfolio earned 12% you would take 6% out of the portfolio balance from that year and redirect it out of the market, which would lock in a portion of your gains and protect against market loss. To mitigate the short term capital gains tax, you'd do this once a year and turn it into a long-term gain.

This would be like taking a portion of your winnings off the craps table and putting it in your safe in your hotel suite before getting the next roll. By running a parallel investment strategy, you may invest in other markets, but more importantly you may move money into power one and power two investments or another power three to mitigate market disasters and prosper during down markets. Implementing it over a 5, 10, 15, or 20-year period of time allows you to build significant wealth that's not tied to your market portfolio. This gives you permission to pounce on a solid bet and maintain gains in times when you might have been staring at the bottom of an account. With this strategy, no matter how much you lose in subsequent rounds, you will always be going home with winnings.

Tactic: The Limited Liability Account

Wealth Protection
Micros involved: Bank
Wealth Accumulation, Wealth Distribution, and Wealth Conservation phases

You don't need a penny in your name to spend as you wish within a secure strategy. I will say that again: you absolutely do not have to have money in your name. In this tactic, you would establish a Limited Liability Company (LLC) or multiple LLC's and open bank accounts using these legal entities. Once established, you can transfer your money to these accounts, and they would behave just as if you had an individual checking or savings account at the bank.

The benefit of the LLC is that you experience full protection in the case of a lawsuit, a personal black swan, divorce, personal liens, IRS issues, or any other existing threat to your money. The LLC is a separate legal entity from you as an individual, so the money in your account will not be seized if anything happens to you personally. When you set it up, you'd title the LLC with your name or something similar in style (this is not to be confused with having an account in your own name), set up your deposits, and use it to go about your way of life just as if you had a bank account. While your name would be to be attached to the title of the entity, in the eyes of the government the account belongs to a company. If you shut down all your bank accounts and moved everything to your LLC, you would essentially not have a dollar in your name, which means your individual wealth would be protected from many outside threats that you are wide open to when your money is not attributed to you personally.

Tactic: The 30+ Year Mortgage

Debt-based
Micros involved: Mortgage through a bank or mortgage company
Wealth Accumulation and Wealth Distribution phases

Many assets, such as your homes, appreciate with time. Simultaneously, the value of your money depreciates due to inflation. This means that when you borrow money, it will become "cheaper" for you to pay back that amount as time goes by. Six thousand dollars a month today is worth less than it will be in 30 years. This is one of the only things in

which inflation works for you and against the bank. Banks understand this: they don't want to lend money for long terms at low interest rates, because that puts them on the wrong end of the stick. The goal with borrowing, then, is to maximize your wealth in hand in the moment. If you buy a home with a 15-year mortgage, more of today's dollars (which are more valuable) will be going to the mortgage company, because you will be paying more money per month today. If instead you take out a 30-year mortgage, you will keep more high-worth dollars in your pocket today. Moreso, you will maintain more control if you go with a longer term. You will still have millions of dollars in the bank and can pay off the mortgage at any time while using that money in any way in the meantime. In time your home should appreciate in value, so if you choose to sell it, you will be able to pay off the remaining balance on the mortgage and still have a decent amount of equity to spare.

There is another important factor that banks will never reveal when they present which type of mortgage is best for you: a thing called the mortgage tax deduction. The mortgage tax deduction is a "gift" that the IRS gives to homeowners to stimulate the housing market; every year that you pay a mortgage, you may claim a deduction for the interest on that mortgage. Because the accrued interest on a 30-year mortgage will be higher than a 15-year mortgage, the deduction will be higher, resulting in more tax savings and more income to invest elsewhere.

Think about the lost opportunity cost in this situation. This would be the highest rate of return, net of tax, that you could have gotten with more time to pay your mortgage and more money in the moment—including what you'd have in tax deductions and earnings from putting more money towards something other than the mortgage payment. This is real money, but it's never factored into the bank's analysis. Instead, they make you fixate on the interest you will be paying, which may be moot when it comes to what you might gain by having more money to spend and invest in the moment.

If you calculated the difference between a 15-year mortgage payment and a 30-year mortgage payment and invested the difference that you saved into a power one with a 2-3% net return, in the 13th or 14th year of that investment you would have enough money to pay off the mortgage and have more money left over. (Imagine doing this with a power three investment—what you'd be able to make.) And you'd be beating the bank at their own game.

Finally, you will simply have a lower monthly payment with a 30-year mortgage (but will be enjoying the same incredible home). That means more money right now—more trips with the kids while they're young, more time racing your sailboat, and more ways to make the house the home you want. You can use the difference to pursue a riskier investment, save the money, or spend it, perhaps even on something that increases the value of the property. And remember, there will still be a pile of cash sitting on the sidelines for you to pay off the mortgage whenever you like, but you—not the bank—are the one in control.

If you're still unsure, think about why banks don't offer 50-year mortgages. Wouldn't the interest be higher, and therefore more favorable for them? The truth is, at that point, with inflation and the miniscule size of the payments you'd be making, they just wouldn't be making the money they want to be. Banks offer 10, 15, 30, and maybe 40-year loans, but they will almost always try to sell you on the 15-year term, because it makes them the most money. Remember, macro tactics take the path of most resistance—what benefits you doesn't benefit the bank and they won't want you to know about strategies that don't favor them.

When you implement this tactic, micro minds will introduce the fear of borrowing as a reason not to pursue a longer term or to take a mortgage at all. But it isn't about *if* you borrow, it's *how* you borrow. You know the nuances of interest rates, lost opportunity costs, and inflation, and you know that borrowing can build you more. While

the right strategy might run against your initial instincts, being wiser makes you wealthier.

Education Tactics: Paying for Harvard and Yale

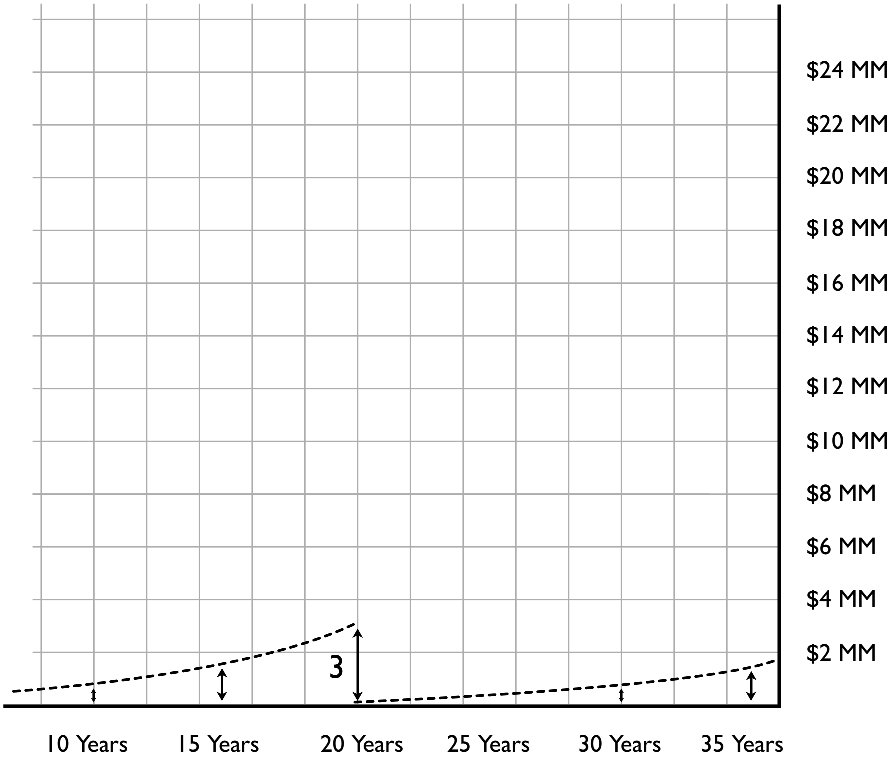
A lot of savvy parents prepare for their children's education with 529 education savings plans. A 529 plan is basically a state-sponsored savings account exclusively for education and related materials; it pays for tuition, books, etc. It's backed by individual states or financial institutions and is authorized by Section 529 of the Internal Revenue Code. Ideally you set it up when your child is born, and it accrues interest through market-based investments managed by the plan's sponsor. While 529 education savings plans are a common power three, they result in substantial lost opportunity costs, the investment is subject to stock-market downswings, fees can be high, and the original dollar invested will never reach its full earning potential. They're extremely limited, especially if your child decides not to go to college.

A 529 plan might first appear to be a sound savings strategy, but the problem is that people commit to saving into this investment vehicle for 18 years, and then bam, it's done. At worst, your child pursues their dream as a musician (and not The Juilliard School kind) and your 529 gets thrown out the window, at which point you have to pay taxes on the earnings to cash it out. At best, you use the plan, and then all that principal and growth that you've been faithfully building is wiped away.

This micro plan completely ignores the time value of money (the growth potential of money when it is invested over time) and sabotages the exponential curve. The first dollar invested in a 529 plan will never reach its full potential because you will be giving the entire pile of money to a college in the 18th year, two years before it starts to achieve exponential growth. Worse, you reset the curve as if it was never building towards something, and you miss out on what the money would have accomplished if it had been moved across different

investments. The money disappears, and your child is now 18 years behind in building their curve.

Sabotaging the Exponential Curve



Just because you want to save money for school, you don't need to choose an investment vehicle that is designed for the benefit of financial institutions. What if instead you invested the same amount of money into something that didn't have any restrictions, still had tax advantages, and that allowed you to still send your kids to college, while maintaining all the principal and growth that you worked so hard to build?

These next two strategies allow you to pay for your child's pre-law track at Harvard or Yale, or the resources for them to tour with their band, by employing the principal and growth of an independent investment, without relinquishing the investment itself. With either approach, you would be financing their future while protecting the exponential growth of your first dollar invested, never resetting back to the beginning.

Tactic: The Power Three Degree

Power 3
Micros involved: Real estate agent, Mortgage company, Bank
Wealth Accumulation phase

Buying a second, third, fifth, seventh home is always a great idea (as long as it's not your sole strategy), but it's even more intelligent when it comes to paying for the ivy league school your child has their heart set on. Their ideal education is probably going to be the cost of a modest property. So why don't you actually make that trade? It will require a down payment, but it's worth the gains down the line, and you can save up a few years of what you would have spent on a 529 plan to put towards it.

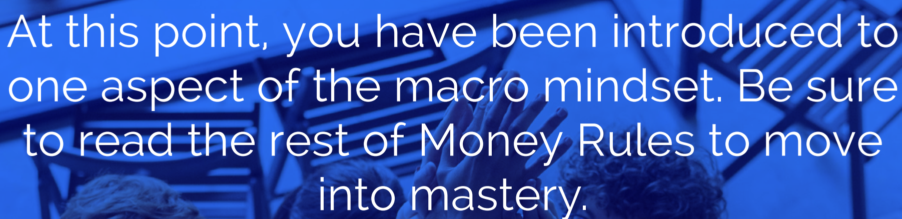
In this tactic, you would take the maximum mortgage term of 30 years on whatever home you set your sights on first. Then, when it's time for college, you would refinance the home in order to pay for the tuition and other education investments. The tax deduction you'd get from the mortgage makes your child's education tax advantaged, so you'd be saving a similar amount to what you would with a 529 savings plan in that regard. The value of the home would still be appreciating, and you wouldn't be resetting your curve to zero because you'd still have an investment in hand when you paid the bill. Plus, you'd have somewhere nice for your mother-in-law to stay. Have more than one child? Get a place in Sedona or Big Bear. If you're the betting type, guess where they might want to go to school and buy a place there. You may sell the home

or let it continue to gain value when your child has graduated, and you may rent it at any point in time and invest that income somewhere.

Tactic: The Power One Degree

Power 1
Micros involved: Insurance professional
Wealth Accumulation phase

The more flexible solution for paying for tuition is to use power one insurance. Instead of investing in a 529 plan or a mortgage, you would take out a life insurance policy at the time of your child's birth to begin their exponential curve. You'd pay the premium on the policy with additional contributions in whatever amount you wanted and watch the money grow with a modest internal rate of return. Then when the time came to send your child to university, you'd borrow money against it from the insurance company—of course this does not remove any money from inside the policy since you're borrowing it and it doesn't have to be paid back. You can even create a policy exclusively for this and borrow against all the principal and growth available. Your child's exponential curve wouldn't be affected by sourcing from the policy, and it would maintain its trajectory throughout their life while they enjoyed living benefits. You may be wealthy enough today to pay out of pocket for your child's education, but if you do spend the money out of pocket, remember that you'd miss the opportunity to begin and preserve your child's exponential curve. Speaking of this, when did your curve begin? Are you earning money on the amount you spent on your education?



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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