DR. MART McCLELLAN TIM STREID

# YOUR *retirement* SMILE

THE TREATMENT PLAN FOR **PAY-CUT PREVENTION** IN YOUR GOLDEN YEARS

# Further Praise for *Your Retirement Smile*

*Tim and Mart opened my eyes to how the financial industry really works. As a practicing orthodontist, I was extremely proficient in my field but woefully ignorant when it came to my finances. The team at Macro Wealth Management has leveled the playing field, giving doctors the tools they need to build wealth.*

**—Dr. Tom Shannon, Grandville, MI**

*A number of years ago, I was invited to attend a "retirement planning lecture." I only attended to not offend my friend. When I returned home that night, I told my wife, "I'm not sure, but I think I just listened to something that will completely change our life in retirement. I was blown away." Since that time, I have worked with Macro Wealth Management and I no longer worry about what my income level will be once I retire. With their strategies—that are not your cookie-cutter, in-the-box, standard ways—I know I will be able to count on my guaranteed income level in retirement.*

**—Dr. Bill Dischinger, Lake Oswego, OR**
*key opinion leader, Ormco Corporation*

*Mart and Tim's data-driven approach to financial "treatment" planning is as intelligent as it is important for us all to hear. I wish I would have heard this information a long time ago!*

**—Dr. Jamie Reynolds, Novi, MI**
*founder of OrthoFi*

*Mart and Tim have been instrumental in helping my family to be on the road to achieving our financial goals. From the very beginning, they have taken a "macro" approach to ensure that not only are we investing our money wisely but that we have systems in place to ensure that our family will have financial stability in the event of any unforeseen circumstances. This is not the sale of a "get rich quick" system or a magical "product," instead, this is a careful approach that truly is tailored to help you achieve and maintain financial success!*

**—Todd Erdman, Wheeling, IL**
*dental attorney*

*Mart and Tim are helping investors in general and dentists in particular live the life of their dreams in retirement. They debunk much of the conventional "wisdom" of high-cost, transaction-hungry Wall Street firms and focus on the benefits of planning and discipline. They are consummate professionals in a world often dominated by salespeople.*

**—Patrick Sweeny, Glastonbury, CT**
*principal and cofounder, Symmetry Partners, LLC*

*After powering through the Tony Robbins book, I think* Your Retirement Smile *is a much more understandable read!*

**—Dr. John Foley, NC**

*Mart and Tim have sculpted a tremendous pathway to understanding your retirement and a direct line to confidence about your future.*

**—John Pobanz, South Ogden, UT**
*clinical professor at the University of Nevada Dental School*

*Nothing short of masterfully awesome!*

**—Dr. David Allen, Wheaton, IL**

*I was a marketing and sales professional in the insurance industry for forty-five years, but even that did not prevent me from making some very poor financial decisions.*

*While serving as the regional VP for a Midwest-based life insurance company, I met Tim and Mart. Over the course of a few years, Tim and I formed a personal friendship in addition to a very strong business relationship. I finally asked Tim to show me his "process" and, from that encounter, my wife and I became his clients and are we ever glad we did ... our only regret is that we didn't meet Tim earlier! Working with Tim, we are VERY well-positioned in our retirement. I have encouraged both of my sons to seek out Tim and pay heed to his extremely valuable advice.*

**—Robert Ley, IL**

*From the very start of my career, I knew regardless of what anyone told me, I wanted to live at the same financial level through my retirement years as I would through my work years. I didn't know how I was going to achieve this goal until I sat down for a meeting with Mart and Tim, friends I've known for years. Macro Wealth Management has enabled me to achieve this goal. This company practices what they preach, and they truly care for their clients. As I sat with Mart and Tim, I did not see salesmen, I saw genuine men who wanted to help me. It has been a pleasure working with them through the years, and I know I can always count on them.*

**—Dr. Rob Girgis, Woodridge, IL**
*former president of the Illinois Society of Orthodontists*

*I have worked with Tim for over fifteen years. In the process of those fifteen years, I have leaned on Tim to assist in every financial decision I have made. From buying vacation property in Park City, Utah, to buying my family business, to making additions to our home and, for sure, building my own strip center for my business twelve years ago, Tim has been there every step of the way. What makes his Treatment Plan different from every other advisor I have worked with in my twenty-plus years of working is the fact that it challenges you to enjoy your life and your earnings now while you are young all the while creating the possibility of living a full-bodied life once you retire. Tim and his Treatment Plan have allowed me to sleep soundly knowing that my family will truly enjoy our best years now, all the while celebrating our golden years with more protection and security than we ever dreamed of. Tim has made my life and my family's life better because of our financial security, and it all goes back to that model that is proven, tested, and solid. Every family should be built on a strong foundation ... our financial future is for sure sound. Thanks, Tim!*

**—Robert Woolsey, Peoria, IL**
*president of Jones Bros. Jewelers*

Your Retirement Smile *is a refreshing new look on what truly matters regarding retirement planning. It is uniquely and creatively written with new financial ideas and substance. It is not laden with lots of investment or product hype. It zeros in on many facets of financial life, which many financial planners and financial institutions do not consider or disregard. If your current planning makes you feel like you are doing all the right things, but you don't seem to be getting ahead, this book is a must-read. Once you start reading this book, you will not want to put it down. Each page is filled with life-changing ideas for a better and more reassuring financial life. Enjoy!*

**—Lenny Martin, CLU, ChFC, RHU**

*Mart McClellan, DDS, MS, is an expert at creating beautiful and lasting smiles! Now, he has teamed up with Mr. Tim Streid, CLU, to help create lasting smiles for dental professionals into their retirement years. Their combined financial expertise and knowledge of the unique financial position of dental professionals has led to the creation of an invaluable Financial Treatment Plan for retirement. As consultants in the dental field, we know that dental school rarely sets new doctors up for financial and business success. It is a missing part of the curriculum that most doctors desperately need. Through the implementation of evidence-based processes, a macro-economic foundation, and sound financial coaching, doctors following their Financial Treatment Plan can set themselves up for ultimate financial stability in retirement. This information is not only invaluable for dental professionals but for anyone seeking to maximize their financial security in retirement. This is a resource that we will undoubtedly share with every client that we work with!*

**—Manon Newell, MD**

*COO Systemized Orthodontics Consulting Group*

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IN YOUR GOLDEN YEARS

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*We would like to dedicate this book to our wives, Lindsey and Julie, who have been there every step of the way. They held down the fort and cared for our children while we were away, lecturing across the country, attending meetings, or meeting with clients—assistance that was invaluable to our success. We could not have done it without you! Although our children weren't always aware of the help we were providing to our clients, we thank them for their hugs, kisses, and smiles when we returned home from our trips and their support through the years. We would also like to acknowledge all of our clients who have embraced our information. They have seen firsthand that there is a much better way to create incredible life enjoyment for themselves and their families. It is a magical moment when our clients first realize they can retire on their terms with much more income, more guarantees, less risk, and no additional out-of-pocket outlay. This cannot be done in the traditional world of personal finance, which is why we have written this book.*

# CONTENTS

*Introduction*

# NOBODY LIKES A PAY CUT

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***As you walk down the fairway of life, you must smell the roses, for you only get to play one round.***

**—BEN HOGAN**

It is safe to say that no one likes to take a pay cut—*ever*. Yet, almost every American and dentist will take one in retirement! For many, it will be a big pay cut. This is why the information in this book is so important for you, your family, and the charities to which you want to contribute. You are about to embark on a financial journey that will change how you approach your financial decision making. If you can remain open minded, your financial life will forever be transformed.

Our objective is to put a smile on your face when it comes to retirement and remove the trepidations (or frowns) that so many have when they enter their golden years. It will likely make you feel a bit uncomfortable at times. Why? Because almost everything you have been told about being financially successful is a half truth or misinformation. It will be frustrating because you will ask yourself many times, *Why haven't I been told this in the past?* or think to yourself, *I*

*thought there might be a better way*. The good news is that it is not too late to implement these strategies and become significantly wealthier, have more free time to spend with your family and friends, and have the ability to make a great contribution to society through charitable giving!

Since time is a limited resource, it is an extremely valuable asset. Hence, having more free time is what everyone wants. In her book, *The Top Five Regrets of the Dying,* Australian nurse Bronnie Ward writes that one of the regrets shared among those who are dying is that they wish they hadn't worked so hard. In her research, family and relationship expert Hellen Chen found that "the deepest regret that I have heard has been men and women missing out on the most important part of life: the quality of their relationship in a marriage and/or with their children." The beauty of the information within this book is that it creates so much security now and retirement income for the future that it expands time, giving people more time for the important things in their lives.

Pick up any magazine article on money, listen to the financial gurus or entertainers on the radio or television, or read financial advice online and you will believe that people fall into two groups when it comes to money: savers and spenders, with spenders having a more negative connotation.

The truth is money is not an either/or thing. It is not now *or* later. It is not all *or* nothing. When it comes to your money, you *can* have your cake and eat it too. You can save *and* spend. You can invest for the future *and* enjoy your life in the present. You can enjoy life to its fullest during your working years and have 100 percent income replacement when you retire. How? By following a macroeconomic financial process that allows you to enjoy your life now *and* retire

without taking a pay cut or having the fear of running out of money. This is how we create your retirement smile!

In the dental world, the 2010 report on retirement, published by the American Dental Association (ADA), shows that dentists take, on average, a 50 percent pay cut the moment they retire. When we meet dentists across the country, we find this number to be about right. Think of this in terms dentists know well: taking a test. If you are studying to become a dentist and you get a 50 percent grade, you are failing. It is unacceptable. So, if you retire with a 50 percent drop in income, didn't your financial plan just fail? The answer is a resounding yes, yet that is the path most dentists and Americans will be on until they read this book.

No dentist wants to fail or struggle when it comes to their personal finances. The acceptance of anything less than full income replacement in retirement is less than successful. Oftentimes, traditional financial advisors[1] will justify the reduced income, such as 70 percent of your preretirement income, by saying that is all you need, but is that what you want? If you could position yourself to retire with full income replacement, at no additional out-of-pocket cost to you, wouldn't you want that? Instead of receiving a failing grade in personal finance you would receive an A+. Who would you rather be: the stellar financial student with minimal worries in retirement or the one who does what everyone else is doing and in retirement has less income, more risk, and increased stress?

Individuals make financial decisions every day, whether it is buying a car or house, paying off student loans or consumer debt, paying for a child's college expenses, purchasing an insurance product,

1 We will reference traditional advisors many times in this book. These advisors include certified financial planners, nationwide dental advisory firms, online forums and blogs, radio personalities, financial magazines, stockbrokers, accountants, lawyers, and life insurance agents.

saving for retirement, or making various investment decisions, just to name a few. Each of these decisions is made at specific points in our lifetime with different advisors, who usually have differing opinions. We call these decisions *microeconomic* decisions. The truth is, however, a benign decision, such as how you pay your mortgage, not only affects the mortgage on your house (micro), but it also affects many other aspects of your financial life from a *macroeconomic* perspective. It is essential to understand this interaction, something that will be explained later in the book.

The big question is, How do you know what is right? If you are making every financial decision from a microeconomic viewpoint only, then by default, you lose the added benefits and value that a macroeconomic approach to your financial decision making brings to the table. Ignoring the macroeconomic impact of a financial decision causes individuals to unknowingly lose hundreds of thousands of dollars, if not millions, over their lifetime. This is why most dentists are only retiring on half of their preretirement income.

Purchasing financial products in the wrong way will not only cost you a ton of money, but the misunderstood strategies that are sold with these products will prove to be even more costly today and in retirement. Touted traditional financial strategies, such as the compounding of interest in a taxable environment, excessive tax deferrals for retirement plan contributions, or the acceleration of debt repayment, are just a few of the many weak recommendations made by advisors across the country. Each of them will contribute to a disappointing retirement from an income standpoint. Wrong products with the wrong strategies create a significant pay cut in retirement.

Reading this book for the first time may make you feel uncomfortable. Your unease will be due to the fact that you will recognize many of these traditional strategies as ones that you are presently

employing in your current financial plan. One of the many purposes of this book is to help you discover, through an evidence-based process, why these strategies are weak. At the same time, you will be introduced to a comprehensive process and framework for evaluating financial decisions from an economic basis that will allow a paradigm shift and make your financial life significantly better.

Most dentists we work with enjoy their profession, but as much as they do, it is safe to say they will retire at some point. It is not a matter of *if* you will retire as much as it is *what kind* of retirement you will have: a very fruitful retirement, or one that only has some fruit on the retirement tree. An abundant, fruitful tree enables you to continue working because you want to and not because you have to.

The hard facts are that only 5 percent of dentists can retire comfortably.[2] This is a shocking number. The vast majority of dentists have no idea that their present situations can be so much better. One question you should ask yourself is, If all the financial information promoted by traditional advisors, the media, online forums and blogs, financial institutions, corporations, and our parents/friends/colleagues is so good, why aren't more dentists able to retire successfully? Also, why are seniors running out of money in retirement? The answer is that they don't have a strategic, macro-Financial Treatment Plan. This book is the Financial Treatment Plan for pay-cut prevention in your golden years!

2 "2010 Survey on Retirement and Investment," American Dental Association, https://ebusiness.ada.org/productcatalog/452/Dentistry/2010-Survey-on-Retirement-and-Investment-Downloadable-SC/SRI-2010D#.

# Mart

I'm from a middle-class family that has their roots in the Midwest. My father was the first to graduate from college. As a young child, I was raised in West Virginia and then, as a teenager, I moved to Connecticut. I was recruited to play golf and basketball at DePauw University, where I went on two mission trips to Kenya and Guatemala and discovered dentistry. My interest in dentistry led me to Northwestern University Dental School and, finally, to the University of Michigan orthodontic residency program.

Like most Americans, financial planning was never a significant topic of conversation for the first thirty years of my life, other than my grandparents talking about saving money because they only had pea soup to eat during the Depression years! After graduating from my orthodontic residency with a ton of student loan debt, my wife and I engaged some financial advisors, who gave traditional advice. I thought they were doing the right things with our money until one day, after an annual review, our advisor recommended that we switch from one product we bought from him years before to another product. We thought that what we had purchased years before was appropriate, but now it was not? It did not seem or smell right, but how were we to know?

Maybe it was divine intervention, but just as I was about to finalize that decision with my traditional advisor, I met Tim. I didn't know Tim from Adam. He was advising one of my dental school classmates who said Tim had

helped him out a lot. When we first met, Tim said he could actually measure financial decisions with a macro-economic system he used and verify what option would give me greater output from a rate of return and benefits standpoint. I asked him if he could take the product my wife and I had bought three years earlier and compare it to the change our advisor was now recommending. At that point Tim had no skin in the game other than showing me his powerful system.

Tim showed me clearly, with a side-by-side comparison, that what we had purchased years before was the more appropriate path for us. The new recommendation was nothing more than a way for our old advisor to churn the account for a commission. That single decision to keep in place what my wife and I had originally purchased changed our financial life forever. It also allowed us to do things we would not have been able to do if we had made that switch. From that point, we were Tim's clients for the next seven years.

## Tim

During the time I advised Mart and Lindsey, the stock market crashed after the dot-com era and the September 11 terror attack on the twin towers. Despite this, Mart's financial life was thriving. On the other hand, many of

Mart's friends' and colleagues' financial situations were not as good, due to the volatile stock market. It was at that time that Mart and I made the decision to share our information with the dental community. We started doing some speaking engagements together and writing joint articles in national publications. Our message started gaining some traction, and we had the opportunity to lecture both nationally and internationally.

That's when we decided to take things to the next level and start our advisory firm, Macro Wealth Management, in 2004. It's hard to believe it's been fifteen years now.

Our Financial Treatment Plan is based on the theories of economist Robert Castiglione, who developed his model in 1980. The most powerful part of his system is that it has stood the test of time through good and bad markets and ever-changing tax laws and interest rate environments. Successful planning comes from plans that work under even the worst-case scenario, and this is what Bob Castiglione created. It would be safe to say that anything better than a worst-case scenario is fantastic!

With backgrounds in financial planning and dentistry, which is our unique value proposition, we established Macro Wealth Management, using a comprehensive financial model as the foundation for our advisory practice. Because of our unique backgrounds, the lion's share of our work is done in the dental profession, but the concepts work for everyone.

Dental school offers very little, if any, training in personal finance or practice management. When you graduate from dental

school, you are Little Red Riding Hood, and the financial advisor is the wolf dressed as Grandma. The wolf thinks you have or will have a lot of money due to the word *doctor* being part of your title. The truth is you may have as much as half a million dollars in student loan debt and no money to buy a home or a practice.

This is the typical plight of a new dental graduate. As a new dentist, you have no idea how to start a practice or run a business, let alone how to deal with your personal finances. Your focus becomes being a good dentist, which is fantastic, but this comes at the expense of personal wealth building.

Because you are so focused on building your business, you begin to lose sight of the personal financial management side of the equation. Instead, you hire a financial advisor or certified financial planner, whose primary focus is selling products or developing plans that are linear in fashion. You buy in, pay the significant fees, and get a financial plan in a three-ring binder that is mostly boilerplate.

That three-ring binder pretty much just sits on your shelf and collects dust. Implementation of the plan, which is essential for success, may not even occur, as the planning fee has already been paid. If a product is purchased, it is often done in a very ineffective manner with no coordination or integration of the product in the overall Financial Treatment Plan. Time goes by and you meet with your advisor here and there. Then, three years later the stock market is going crazy and your advisor wants to get together. Your advisor says you need to replace what you bought three years earlier because the stock market is now booming and you don't want to miss out. This tactic is known as the weak FOMO (fear of missing out) strategy. If you move to the new investment at this time, however, you will buy into a rising market, which is the opposite of what you should be doing. Confronted with this situation, you don't know

what is right, nor do you have the time to research it, so you buy again. This is the normal cycle of financial distress in which most dentists find themselves.

Many dentists who are approaching retirement today, or are actually retired, are leading what we refer to as quiet lives of economic desperation. They may look good on the outside, but when you look at their personal finances, it is obvious that they are struggling or distressed due to the enormous uncertainty of the future.

The struggle or stress that the vast majority of dentists experience is resolved when a holistic Financial Treatment Plan is introduced into their lives. It is not just about looking at a retirement plan or investments. It is also about analyzing hard assets, such as real estate, your dental practice, gold, silver, cryptocurrencies such as Bitcoin, artwork, and so on. Your liquidity also plays a significant role in the equation, as does how you are protected with your auto, homeowners, and liability insurance coverage. It also takes into consideration your disability and life insurance, your wills and trust, and your debt situation. *Every* decision you make within that Financial Treatment Plan will always impact something else within the plan. If you don't have a framework from which to measure financial decisions, then you won't know where the problems or inefficiencies exist. They will go unseen. A Financial Treatment Plan provides a macroeconomic picture of your financial life. Its presence is the underlying factor that allows you to achieve a successful retirement versus one that is mediocre at best.

Many dentists head into retirement knowing they are in trouble, but not wanting to admit it. Other dentists think they are totally fine because they have accumulated a lot of money. However, many of these dentists are also in trouble if they don't have a distribution plan in place for their income. No matter how much money you have, without an efficient distribution plan in place, you are still going to

take a pay cut in retirement or not live life to its fullest. Even if you have been extremely successful and have done all the right things from a traditional financial standpoint, you will still not be doing as well as you could be doing because the track you are on is not efficient.

It does not have to be that way.

Dentists make a great income, which is certainly above the income of the average American household. The problem for dentists is not that they don't make enough money. They make plenty of money. The problem is that their money is not positioned appropriately.

Whether we make $50,000 a year or $500,000 a year, we all have a finite amount of money that will enter our lives during our lifetime. Every dollar that comes in is precious. We have to understand how money works and how to best make money work for us. With that being said, each dollar has a specific position at a particular time for ultimate efficiency. The question you should ask yourself is, Am I confident that my money is positioned perfectly for maximum output to ensure more benefits and multiple income streams in retirement?

Most dentists believe that a successful retirement is based solely on how big their pile of assets is at retirement. There is actually a book published in the world of personal finance that asks, "What's your number?" for retirement, as if that has anything to do with a successful retirement.[3] According to a *Journal of Clinical Orthodontics* survey, respondents felt that $2,000,000 was the threshold for being ready for retirement.[4] What is your number or how big does your

3 Lee Eisenberg, *The Number: A Completely Different Way to Think About the Rest of Your Life (New York: Free Press, 2006).*

4 Jeremiah Sturgill and Jae Park, "Changes in Orthodontists' Retirement Planning and Practice Operations Due to the Recent Recession," *Journal of Clinical Orthodontics* 49, no. 4 (April 2015): 240–8.

pile of assets have to be for you to achieve the retirement of your dreams? Would $10,000,000 be enough? Would you be content with that number?

Most dentists would be extremely happy to be in that position, but let's not forget that life is relative. It is safe to say that if you are a dentist with that much money saved for retirement, your income was probably upward of $500,000 a year for the better part of your career, maybe closer to over $1 million a year.

Let's assume you were earning $500,000 a year in your practice, before retirement. In the traditional world of financial planning, the $10,000,000 of retirement assets will deliver $300,000 of retirement income using a 3 percent safe withdrawal strategy (explained later). Now, $300,000 is a lot of money, but you were making a half million dollars before you retired. That means you will have a huge 40 percent pay cut in retirement! Some may think that $300,000 in retirement is more than enough income, but if you could have more, would that be a better result?

Our view is that if you were to position your money correctly and use the *same* dollars (we're not saying put more money in; we're saying use the same dollars to do more), your retirement income could be $500,000 or more, as opposed to $300,000. That's right. Simply by reworking the money in your Financial Treatment Plan, substantially more retirement income is possible. Why wouldn't you want that?

If you were to take a 50 percent pay cut in retirement, regardless of your previous income, the lifestyle you were accustomed to while engaged in your career would be reduced significantly in your golden years. Therein lies the problem, because no matter what income level you achieve, it is impossible to live the same lifestyle on half of the money. This problem would be further compounded if no guarantees

were built in to your plan. Hence, having more retirement income resolves this problem whether you are a spender or a saver!

Think about the opportunities you would have if you had full income replacement in retirement that was inflation protected. One, your lifestyle would not change. Two, if you didn't feel you needed or wanted the additional dollars, you could invest them back into your Financial Treatment Plan and leave a larger legacy for loved ones and charities. These dollars could be used to spoil grandkids or pay for their college educations. You could take your family on vacations beyond their wildest dreams. If you were to have $200,000 in annual income that you don't need, you could donate it to a charity or to a cause you are passionate about. With full income replacement in retirement, you have the opportunity to do all of these things because you *want* to do them. That extra income would give you security, options, and flexibility that would not be possible with less income. Most importantly, you would have the greatest gift of all: financial peace of mind.

Almost all the financial information that we are exposed to from the many different outlets soliciting us is misinformation. It is voluminous. This doesn't mean it is *totally* wrong. It may be right from a *micro* standpoint, but it is wrong from a *macro* standpoint. When it is wrong from a macroeconomic standpoint, your resulting income and enjoyment will be less. This is the suboptimal nature of conventional wisdom!

This concept of micro versus macro is also true for those dentists who decide to manage their own finances or follow the path of their successful parents. Managing your financial future in this way is a guarantee of less income, something that most people do not want. As successful as some of our parents are, the concept of income replacement in retirement is something most have never discussed

and they, too, may be taking a pay cut in their golden years! This will be discussed in more detail in chapter 3.

We have yet to come across a single instance where our Financial Treatment Plan did not provide more retirement income and benefits. When a dentist uses a macroeconomic system to analyze and verify each financial decision, a financially successful retirement can be accomplished. This is evidence-based planning at its best.

Our hope is that everyone who reads this book discovers a new mind-set when it comes to making financial decisions. We want you to recognize that the same-old-same-old or cookie-cutter approach to finances does not have to be accepted, nor should it be. Also, we want you to have the curiosity and the desire to seek out a different life when it comes to retirement. But we don't want you to just read this book. Instead, we want you to take action and find a better way to make your money work for you and your family as you go forward.

Your mind-set will certainly have to change because as you read the following pages, you will realize that what you are presently doing will not get you to full income replacement in retirement. The following material has stood the test of time in different economic environments and will encourage a paradigm shift. This information will not only have a significant impact on you and your family but also on society if you have a charitable intent.

*Chapter 1*

# THE FIGHT FOR YOUR MONEY

• • •

*All wealth is a product of knowledge.*

**—GEORGE GILDER**

**When** building or creating wealth, there are two prevailing economic principles of money that can be followed: accumulation and acceleration. The accumulation principle focuses on simple math and ways to accumulate and compound your wealth over time. The acceleration principle emphasizes achieving exponential growth through strategies that allow more than one use for every dollar and each use of your dollar creates a new rate of return with additional benefits. In essence, the acceleration principle keeps your money in motion and accelerates your wealth over time. Which principle do you follow: accumulation or acceleration?

Where do these principles originate and which are the entities that decide the rules in the world of finance? There are actually three: the government, financial institutions, and corporations. We refer to these three entities as the rainmakers. A viable, capitalistic society

requires the presence of all three entities. We would not want to live in a society where any one of these entities did not exist.

Let's look at a situation in which all three of these entities are intertwined within our economy. The government exists and thrives on a large and continuing tax revenue base. In an effort to spur the economy, the government may create tax breaks or credits for real estate developers and investors to build low-income housing for the poor. This, in turn, puts people to work and creates revenue and profits for the developer and all the subcontractors and suppliers employed in the real estate project. Corporations and businesses further benefit from the new construction as individual homeowners seek to buy furnishings and appliances for their new home. Financial institutions also benefit from the new mortgages and various insurance coverage acquired and purchased by the new homeowners.

The scenario just described creates a win-win-win situation for all three of the rainmakers. The initial tax benefit offered by the government should increase profits generated by corporations and financial institutions and drive tax revenues. Also, when people are employed, the income and payroll tax base is maintained or increases with a growing and productive economy. Corporations and businesses, including their individual shareholders and owners, are happy with the increased sales revenues and business profits. Finally, financial institutions continue to count their money due to the interest and fees generated from the new loans and insurance premiums they collect. As shown, all three of the rainmakers can work together to create and support a vibrant economy.

With this in mind, however, let's not lose sight of the rainmakers' ultimate objective, which is to take and control of as much of our money as possible. Although we are in a fight with the rainmakers for our money, we don't have to live by the rules they create for

consumers. Their rules are designed to put money in their coffers and not ours. The rules they live by *accelerate* wealth, which is the exact opposite of what they tell consumers (you and me) to do: *accumulate* wealth. Hence, the money rains and flows into their accounts while it drips or dribbles into ours. Thus, the fight for our money is ongoing, every day of our lives.

## RAINMAKER INTERACTION

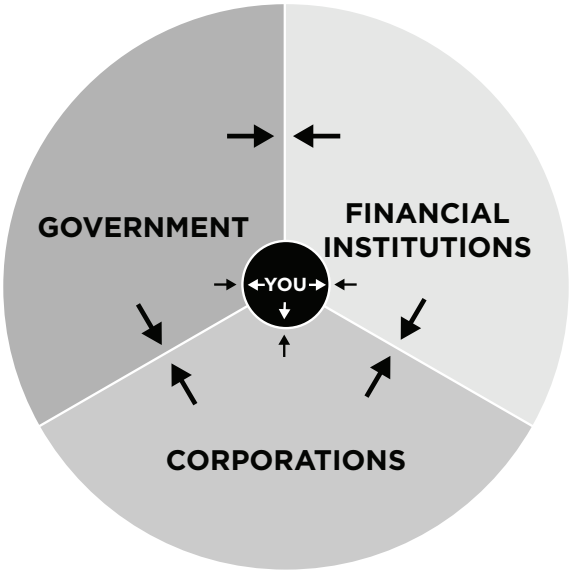


Figure 1.1

- Finite resources in our world
- The three rainmakers are constantly fighting for our money
- Rules change. Laws and new products are created to get more of our money

Today, most dentists who want to build wealth are unknowingly following the path of accumulating and compounding rather than

accelerating their money. To find dentists who are accelerating their money is as rare as seeing an albino alligator. The three rainmakers, however, follow the wealth-building acceleration principle by keeping their money in motion. Again, they do the exact opposite of what they advise you and me to do. This is what drives their success and why they have the biggest and tallest buildings in every city across America.

The rainmakers are very skilled at separating you and me from our money. They employ many tactics to do this and frequently accomplish it without their actions being given a second thought by consumers. For example, the government uses different forms of taxation (see Figure 1.2) from the federal, state, and local level to reduce or influence our ability to succeed financially. An IRS auditor once said, "The trick is to stop thinking of it as 'your' money."

| GOVERNMENT | CORPORATIONS | FINANCIAL INSTITUTIONS |
|---|---|---|
| Federal Taxes | Inflation | Investment Fees |
| State Taxes | Technological Change | Advisor Fees |
| Local Taxes | Style Changes | Inefficient Advice |
| Real Estate Taxes | Planned Obsolescence | Loan Interest |
| Sales Taxes | Advertising | Commissions |
| Capital Gains Taxes | False Advertising | Premiums |
| Estate Taxes | Quality Shrinkage | Market Losses |
| Licensing Fees | Quantity Shrinkage | Market Volatility |
| Gov't Student Loans | Service & Repair Fees | Penalties |

Ways That the Rainmakers Take Our Money

**Figure 1.2**

Financial institutions grab our money through fees, commissions, bad advice, and scams. Corporations produce products with built-in planned obsolescence, requiring them to be replaced sooner than should be necessary, or they simply tweak the technology of an existing product and promote the new product as something you can't live without. The ongoing unveiling of the newest smartphone is a great example of this.

Finally, an underlying result of the rainmakers' quest for our money is the introduction of inflation into our lives. Inflation is a stealth tax that erodes a huge amount of our wealth over our lifetime. Many times, the impact of inflation is not fully understood until the consumer is in retirement and on a fixed income.

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*Inflation is when you pay fifteen dollars for the ten-dollar haircut you used to get for five dollars when you had hair.*

**—SAM EWING**

● ● ● ● ● ●

All rainmakers have their own, individual game plan. The government is starving for taxes that keep it running. Corporations are hungry to sell products to satisfy shareholders. Financial institutions are fighting for the control of large blocks of our money, whether it is in the form of bank deposits, investments, or the sale of insurance products. These deposits all generate massive income in fees for the financial institutions. Yet, there are also times when the rainmakers work together.

A retirement plan is a perfect example of how financial institutions and the government work together to control huge monetary assets. First, the financial institution creates the mind-set that you

must have a retirement account if you are ever going to retire, which is actually not true. This is promulgated by the accountants and advisors who share this same belief. As a result, you are convinced to contribute money to a retirement savings plan held at a financial institution.

Typically, the financial institution will get your money on an ongoing basis through weekly or biweekly payroll deductions. Once the financial institution has your money in hand, your money is, essentially, in jail, due to government rules that discourage you from withdrawing these funds prior to the age (as of today) of fifty-nine and a half. This restriction is a huge win for financial institutions as they get to control large blocks of money for a long period of time and collect their fees. If you withdraw your money prior to age fifty-nine and a half you will pay a 10 percent IRS penalty. Therefore, it is very expensive to get that money out of jail before you are fifty-nine and a half. The government is the entity that makes the rules on age of distribution, the type of taxes that need to be paid, penalties, and many other rules.

Now, when you get to retirement age, the rainmakers still want to retain control of your money. At that time, the financial institutions and traditional advisors will tell you that if you withdraw money from your retirement plan you will pay taxes on it, which is true. If you would like to avoid these taxes, though, the financial institutions and traditional advisors have a solution: you can simply defer distributions from this account until age seventy and a half. However, at that point, the government is going to *force* you to start taking withdrawals from your retirement plan through the required minimum distribution (RMD) provision. At this point, the government wants to start collecting on the account holder's deferred tax bill. The adoption of an RMD-only withdrawal strategy for retire-

ment funds allows the financial institutions to hang on to your money and continue to collect ongoing fees for assets under their management.

The worst part of this whole situation is that the owners of the retirement plan end up getting little enjoyment from their retirement assets. The RMD distribution may minimize taxes, but at what expense to the retirees? They are now living on a minimum versus a maximum income distribution, all for the sake of further delaying a tax. Isn't the purpose of funding your retirement plan to fully enjoy it in the future? If so, you should be taking *maximum* distributions out of your retirement plan and not minimum distributions!

## Tim

I graduated from college in 1984 and went to work for a big-eight public accounting firm. A month after starting, the senior partner called a meeting to introduce us to the new retirement plan that everybody was going to love. It was called a 401(k), which would replace the firm's long-standing defined benefit plan. As some of you may already know, a defined benefit plan is funded 100 percent by the company, which is great for the employee. A 401(k) plan, on the other hand, is, by and large, funded 100 percent by the employee, which is not great. This was the beginning of a huge shift that was taking place in corporations all over America at the time. Pensions were slowly being phased out and replaced by 401(k) plans. This shift was not advantageous to the

consumers as they now became largely responsible for the funding of their own retirement.

The 401(k)'s selling point to me was the firm's matching contribution. If I were willing to contribute at least 3 percent, the firm would fully match the 3 percent contribution. With this in mind, right out of the gate, I started contributing 10 percent to the plan. Now in 1984, coming out of school as a certified public accountant, I made a whopping $18,000 a year. What tax bracket do you think I was in at that time? It was 10 percent, or the lowest bracket. It was nothing! Essentially, I deferred the 10 percent tax I would have paid on my money by putting my money into a retirement plan. If I were to retire today, those initial contributions that would otherwise have been taxed at 10 percent would now be taxed at the highest income tax bracket.

So who won that game? It wasn't me. In reality, it was the three rainmakers consisting of the government, corporations, and financial institutions. It's almost as if they colluded with one another at the expense of the consumer—or dentist.

401(k)s were promoted to employees as a wonderful retirement option. In reality, the introduction of the 401(k) plan shifted not only the bulk of the funding but also all of the market risk away from the corporations to the individual. Financial institutions were thrilled with the restrictive laws imposed on the 401(k) plans, which prevented individuals from removing funds from their plans prior

to age fifty-nine and a half, without incurring an early withdrawal penalty from the IRS. As a result, this one law alone has locked up billions of dollars in invested funds with the financial institutions that are collecting advisory and management fees. The fees collected each year are like a huge annuity to the financial institutions whether the market does well or not.

Finally, those who have a retirement plan such as a 401(k) plan are in a one-sided partnership with the government in that the government makes all of the rules and laws regarding a 401(k) plan. The government tells us how much we can contribute to the plan, at what age we can take funds out of the plan, and how much we will, ultimately, pay in taxes. Also, keep in mind that all long-term capital gains in a retirement plan are taxed as ordinary income and not as capital gains. Tax rates on ordinary income can be as high as 37 percent versus a capital gains rate as low as 15 percent—if the funds were held in an after-tax investment account. For this one fact alone, the difference in potential tax revenues between ordinary and capital gains taxes to the government will be significant over time. We also must take into consideration that tax rates may very well increase over time, which will benefit the government even more. The 401(k) plan and everything that goes along with it is a prime example of how all three rainmakers benefit at the expense of the consumer.

There was a time when you could withdraw your retirement funds at any age, without penalty. Then the government, due to intense lobbying from the financial institutions, put in place restrictive regulations that included penalties for withdrawing money from a retirement account before age fifty-nine and a half. The government can regulate or deregulate, and it can do this in favor or not in favor of the consumer. Therefore, we must be cognizant that laws governing retirement plans can and will change in the future, whether

it is for the advantage or disadvantage of the consumer.

If the rainmakers are always moving money under their control for their benefit, then doesn't it make sense that your money should always be in motion too? Anything in life that sits in one place too long will go stale or break down. In other words, it stagnates! Whether it is your health or your money, you need to keep it moving.

Often, dentists resist the concept of money in motion. What they really want is to put their money somewhere and not have to think about it again. They just want to make a money decision and be done with it. Since compound interest is believed to be a good thing in the traditional world of finance, they think they are okay, when in reality their money is rotting right before their eyes.

Why? It's due to the fact that dentists, and the general public, have been directed by financial institutions, accountants, family members, and others to think this way. When we let our money stagnate with the financial institutions, the financial institutions, along with the advisors, are collecting a fee on that invested money. They make money whether your account balance is going up or down. Why would the financial institutions and their many advisors want to give up managing trillions of dollars when they collect a fee that can be 1 percent or higher each and every year?

Over time, dentists will purchase many different insurance and financial products. These purchases are often made one at a time, with different advisors or agents, at different times in a dentist's life. Once the decision about the purchase is made, it is never revisited. This creates a lot disorganization. Everyone knows that disorganization is never good and results in extreme inefficiency when it comes to building wealth. This assortment of unorganized financial products is like your kitchen junk drawer in that you know what is in the drawer, but it takes a while to find what you want.

In this personal financial junk drawer, nothing is coordinated or integrated. Decisions that were made at different points in life are now oftentimes working against each other—very inefficient. This becomes stressful for dentists, but they don't know how to fix it, and so avoid the issue. They don't want to deal with it until introduced to our Financial Treatment Plan.

When you have a Financial Treatment Plan, the disorganization and confusion disappears. Everything is put in its appropriate place and every decision is evaluated from a macroeconomic standpoint. This alone brings tremendous peace of mind to dentists in their personal financial lives. A Financial Treatment Plan allows them to actually visualize and understand their finances and not fear them. It gets them excited to have a better understanding of how their money works and allows them to be proactive with their financial decisions rather than reactive.

When it comes to retirement planning, dentists are taught to max out their retirement contributions but are not taught how to maximize other aspects of their financial lives. If they are only accumulating money, a lot of other people (e.g., financial institutions and advisors) benefit from such a decision without the dentists even knowing it.

That problem is further compounded because there is usually no discussion about an exit or distribution strategy for retirement. Without this discussion, as we said earlier, most retired dentists are leading quiet lives of economic desperation. This is due to the blind focus they placed on only accumulating assets during their working years, with little or no conversation regarding distribution in retirement. They may still be living in the same house and driving the same car (although it is a few years older), but things are tight—and that's just unnecessary.

## Tim

Various financial magazines will tell you that you only need 60–70 percent of your income in retirement. Better yet, you can have a successful retirement in Costa Rica because the cost of living is so cheap there, or you can move to a US state with no state income tax. The articles will sing the praises of the expat life or living in a state with no state income tax, and they may be right. Your cost of living and taxes may be less as a result of these choices, but you may retire without having family, friends, and everything you know around you. What kind of life is that? That doesn't sound like happiness. Who wants to live out retirement only seeing kids and grandkids once a year? Is that the lasting memory you want to have of them? Living in a foreign country or a tax-free state may be great, if done because you choose to live that way, and not because you have to!

We can be angry about the control the rainmakers have over our money, or we can learn from their actions. We have established that financial institutions work on the principle of keeping money in motion, or the velocity of money principle, so let's look at an example. We open a bank account where we make ongoing deposits. Depending on the type of account, the bank may pay us a small amount of interest. Once the bank has our money on deposit, does it just sit on it? The answer is a resounding *no.* The bank will take our money, as well as that of other bank depositors, and use it to its

benefit. The bank doesn't sit on the money, as it tells us to do. Instead, it turns around and makes a loan to another individual. Perhaps it's a car loan for one person, and a mortgage loan for somebody else. Then it makes a loan to a college student. As the loan payments come back into the bank, what does the bank do? It lends that money again. The Federal Reserve says that every dollar that moves through a banking institution can turn over as many as fifty-five times each year, or about once a week.[5] But not for you.

Conventional thinking will have you believe that when the bank charges you 4 percent for a car loan and you're earning 1 percent on your savings account at the bank, that bank is only making 3 percent on this transaction. In reality, however, that 3 percent spread represents a 300 percent profit for the bank. As previously discussed, the bank will repeat the transaction, creating new loans with your money many times over during the course of the year. Is it any wonder that banks have some of the largest buildings in every city across the world? This is an example of velocity of money at its finest.

## Mart

Remember the 1960s television show *The Beverly Hillbillies*? In one episode, Jed Clampett, the millionaire hillbilly, visits Mr. Drysdale, the president of the bank. Jed asks to see his money. He wants Mr. Drysdale to show him his million dollars. Jed was assuming that there was a stack of bills sitting in the bank's vault that was his money. Of course, even then, Jed's money was moving all over the

5 Gottfried Leibbrandt, "How fast is that buck?" The SWIFT Institute, July 23, 2012, https://swiftinstitute.org/2012/07/how-fast-is-that-buck.

place. So, Mr. Drysdale ends up showing him a picture of a million dollars just to appease him. Of course, the money pictured wasn't really Jed's money, as banks *do not* let the money sit and stagnate.

Traditionally, if we have money in a bank or an investment account, as it earns interest, dividends, and capital gains, we have been taught to compound the earnings right back into the account. If we do that, we lose control of the asset because we have just allowed those earnings to compound back into the account and go stale. Why not take our interest, dividends, and capital gains and move those earnings to some other part of our Financial Treatment Plan and make another use of that dollar. Each time we make another use of a dollar we gain increased benefits and additional rates of return. We will actually verify this money strategy in our "Money Myths Debunked" chapter (chapter 4) when we discuss an alternative to compounding interest.

Keeping money in motion is all about getting multiple uses out of every dollar and not letting any dollar die by sitting too long in one spot in the Financial Treatment Plan. Allowing your money to sit in one place too long is like having a blood clot in the body that prevents the blood from flowing through your organs! Blood clots cause heart attacks and strokes. If you have stale or stagnant money in your personal finances, you are placing your present and future financial situation on life support! This is one of the many reasons why the average dentist retires with a 50 percent pay cut in retirement.

Think of it as a chess game. Every chess piece has different strengths and powers, just as every financial product has advantages

and disadvantages. The objective of chess is to get to checkmate in the shortest number of moves possible in order to win the match. No single move or chess piece will win the game. Rather, games are won through a series of moves that strategically position many chess pieces in order to secure a victory. As an example, the queen is the most powerful chess piece on the board. However, if that is all you have on the board, you will not win the game. The game of finance is much like chess in that you will need multiple financial products that are strategically placed and in constant motion. It is this type of game play that will help you achieve your full wealth potential and avoid a pay cut in retirement.

Instead of being taught the money chess game, dentists have been taught to put their money in one place and let it sit, as, for example, in a retirement plan. In doing so, they are handcuffing their money, because once it goes into that retirement plan, it is locked up until the dentists are fifty-nine and a half years of age. Once that dollar goes in, they're never going to get another use out of it throughout their accumulation period. This is very inefficient. To be clear, though, we are not saying that retirement plans are bad. Instead, we are saying that you need to understand the ramifications of putting money into that type of account as a first move of your money.

Also, dentists are taught to focus on achieving high returns in their investments, which, oftentimes, causes them to chase a rate of return to their detriment. Contrary to the popular opinion of investment advisors, the rate of return is not nearly as important as you think. Why? Because the existence of wealth-eroding factors in a Financial Treatment Plan will have a far bigger impact than a rate of return will ever have on your wealth. These wealth-eroding factors attack your money twenty-four hours a day, seven days a week, each and every year of your life. The ramifications of taxes and inflation

are two of the better-known wealth-eroding factors that people face daily. Most people already understand how these factors negatively affect their wealth, but there are a number of other factors that also impact wealth.

In fact, upward of 12 percent of your money is being eroded away on a yearly basis due to taxes, inflation, planned obsolescence, technological change, and unexpected life events. This means you have to save at least 12 percent each year just to overcome these wealth-eroding factors alone. In order to outpace these basic effects of wealth erosion, you must establish the discipline of saving a minimum of 15 percent of your income each year. If you do not save at this rate, then you are going backward.

The object of keeping your money in motion is to pick up individual rates of return and increased benefits each time you turn, or move, the money. With each move you may get 5 percent here, 5 percent there and 5 percent over there. Add those up and you're getting a 15 percent rate of return with less risk and more benefit. Again, this velocity of money principle will be highlighted in the compound interest example discussed in chapter 4, "Money Myths Debunked." Investors in this day and age find a 5 percent rate of return decent, but 5 percent taken multiple times with increased benefits is a home-run investment.

We hear the question all the time: What rate of return are your investments getting? If this is your primary concern, I can share with you that you're asking the wrong question. Your question should be, How am I going to overcome the wealth eroders of life and do so with less risk? If you *only* focused on overcoming wealth-eroding factors, you would achieve success beyond your wildest dreams.

Because dentists are smart, some dentists believe they can manage their own money. After all, there's a lot of financial informa-

tion out in the media today to help do-it-yourselfers make financial decisions. For example, at Fidelity.com, you can read that if you have eight times your salary saved by age sixty, you are on the right track. So, let's put some numbers to this advice and assume you are making $500,000 a year, prior to retirement. According to this advice you would then only need $4,000,000 of saved assets when you retire. Again, using the traditional world's advice for retirement income planning, you would then take a 3 percent safe withdrawal from these assets for an annual retirement income of $120,000. If you are a do-it-yourselfer and follow this advice, you will set yourself up to take about a 75 percent pay cut in retirement! This is one of the reasons why we are adamant that do-it-yourselfers will struggle to reach their full wealth potential.

You can go online and find different financial calculators for retirement. With each one, you can input how much money will be saved on an annual basis, your expected rate of return, and the number of years you have before you retire. Click the magic button and you are told how much money you will have when you retire. If this final retirement sum is not enough, you have one of two choices: either save more money or chase a higher rate of return. If you can't save more money, you then simply plug in a higher rate of return until you get the result you want, as though you are guaranteed to realize the higher rate of return. Even if this is guaranteed, you have now assumed much more risk and volatility in your planning, but you feel better because you are now on track for retirement.

This is not retirement planning! It's just playing math games with numbers until you get a result you like. It is the proverbial massaging of the numbers for financial comfort. Online calculators are a detriment to your long-term financial health. They often provide a false sense of security, indicating that your financial plan

is on track for success. Unfortunately, they are an essential planning tool for the do-it-yourselfer.

If you look at truly successful people, whether they are in business, sports, or entertainment, almost every one of them has a coach. For example, a golfer may have several coaches: a swing coach, a physical trainer, and a putting instructor. It's possible there might even be a sports psychologist on board to help the golfer deal with the mental aspects of the game.

Why is it, then, that dentists fight the idea of having a financial coach to help them navigate the confusing world of personal finance?

Too often, the reason dentists are disappointed with their financial portfolios is because their advisors have only focused these portfolios on accumulating assets that are driven by a rate of return. Focusing on the accumulation of assets leads to frustration as markets fluctuate and returns are not what were expected. As a result, many dentists will make the decision to just do it themselves. Financial success, however, is not a rate of return equation. Rate of return is only *part* of the puzzle.

Financial success is having the maximum benefits from a maximum money supply at all times in your life. This is the foundation for what creates enjoyment in dentists' lives, ultimately a retirement where they do not take pay cuts and have guarantees built in to their retirement incomes. The guarantees are what provide immense peace of mind to dentists in retirement, because no matter what happens, they know with certainty that they will never run out of money.

As we have discussed, the rainmakers are fighting for your money, so you need to know how to counterpunch and not sit back and let your wealth be eroded away. The great philosopher Mike Tyson once said, "Everyone has a plan until they get punched in the

mouth!" By understanding that the rules the rainmakers follow are different from the rules they promote for you and me as consumers, you will have significantly more wealth than the average dentist and avoid being knocked out financially. It is the old saying: if you can't beat them, join them.

One of our many objectives is to help you discover how to live by the same rules as the rainmakers. It is our hope that we will expose you to eye-opening information when it comes to your personal finances and get you excited about a macroeconomic model for your money. Let's start by looking at the big money picture.