"Finding The Money To Pay For College"

"Paying For College And Wealth Transfers"

Everyone thinks about "Getting Into College" and "Paying For College".

No one considers "Wealth Transfers". A wealth transfer is a dollar that you don't receive from Colleges or that you spend, unknowingly and unnecessarily.

Let's learn how wealth transfers can erode your wealth over time.

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“Stop Sitting On Your Assets”

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Preface

“If What You Thought To Be True, Turned Out Not To Be True… When Would You Want To Know?”

Finding out that something you thought was true is not true is probably disappointing – but, what’s even more disappointing? How about never learning the truth?

According to a study conducted by ING, one of the largest financial institutions worldwide, it’s estimated that over 90% of baby boomers in the United States will retire financially dependent on others!

Historically, if you wanted advice to know how you could increase your wealth, you would be offered these choices…

- Earn higher rates-of-return… often increasing your risk
- Cut back on your current lifestyle… to save more
- Maximize deposits into qualified retirement plans

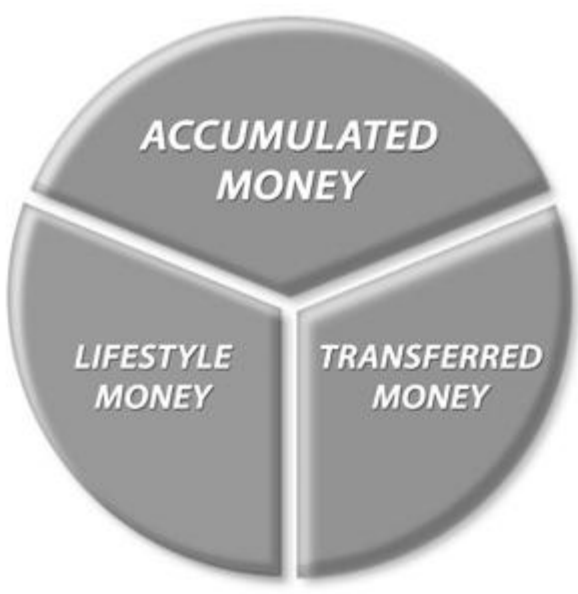
Well, let’s take a look at these options. Taking more risk isn’t a pleasant thought and neither is reducing the level of your lifestyle. After you maximize your qualified plan contributions, then what else can you do? You may be surprised to discover there is another option, and it’s one that could potentially improve your current and future financial position, without affecting your current lifestyle.

If you first focus on learning how to avoid unnecessary losses, you can achieve huge strides down the path toward growing your wealth. Then, once you've plugged the holes in your financial bucket, you can focus on where to put your money.

The Circle of Wealth® Philosophy

Imagine this circle represents all the money you'll ever have. The amount of money that will pass through your Circle of Wealth® during your lifetime is a finite amount. Yours is larger than some, but smaller than others.

We all share one desire – we want our Circle of Wealth® to grow… and grow… and grow!



There are basically three types of money:

1. **Accumulated Money** is your current savings and investment dollars. This often consumes most of our

attention. This part is shrinking for many. For the first time in history, America has a negative savings rate. We spend more than we make.

2. **Lifestyle Money** is what you spend to maintain your standard of living. You know… your home, the car you drive, etc. For many folks, lifestyle can be the #1 factor influencing whether you save a little, a lot or at all. While we all know we should be saving more, very few of us are really willing to reduce our lifestyle to do it. Right?

3. **Transferred Money** represents money you could be transferring away from your Circle of Wealth® often unknowingly and unnecessarily. It is a major problem for most of us.

Accumulated Money

On a scale of 1 to 10 (ten feeling the best), rate how you feel about your own answers to the following questions:

If I just keep doing what I'm doing now, and I'd like to be able to retire one day, without drastically changing my lifestyle…

- How long will I have to keep working?
- What rate-of-return will I have to earn?
- How much should I save each year to have enough?
- Then, once I'm retired, how much can I spend to make sure my money lasts as long as I do?
- Do I have any other options?
- Can I improve what I'm doing now?

If you rated yourself less than 10 or don't know the answers to each and every question, it would be good for you to keep reading and then request your own customized analysis from Jim Kuhner, the Circle of Wealth® advisor who provided you with this book.

To increase your Accumulated Money, you're usually advised to find better investments that pay a higher rate-of-return. But, as stated earlier, this often requires increasing your level of risk in the process.

There are many ways to increase your Circle of Wealth®. One way is to be more efficient with the money you've already got. Yes, it's certainly true that higher returns and better investments can often increase your Circle of Wealth®; but the focus on rate-of-return might not always produce the results you really want and need.

This isn't to say you shouldn't seek investments that pay higher returns. But, making this your sole focus could turn out to be harmful to your financial health and create unnecessary risk. What if you haven't been a steady saver? For many, the lack of systematic saving can tempt you to take unnecessary investment risks in an attempt to "catch-up."

We've all heard that, over the long haul, the stock market is likely to return favorable investment results. This may be true, but few advisors will talk with you about the Transferred Money problems that exist in these investments. Success in the market takes time, energy and knowledge that many small investors just don't have.

Does this concern you?

- Could your investments be lost in a legal judgment?
- Will the market be up or down when you actually need your money?
- Will you have to pay taxes when you take out your cash?
- Will you actually get the returns you're hoping for?

These are great questions… questions you should be asking before you consider any financial product.

Lifestyle Money

How much of your valuable time and energy would you want to spend talking to financial professionals on how they can help you REDUCE your present standard of living? I bet you answered, “Zero.” Right?

Increasing your Circle of Wealth® using Lifestyle Money would mean you’d have to cut-back on your standard of living and give-up luxuries you currently enjoy. Doesn’t sound very appealing… does it? Very few people are interested in this approach. But, by far, the most common strategy taught, touted and drilled into our heads on how to save more or grow our wealth, has been to go on a financial diet. That’s right, cut-back on our spending!

For many people the thought of giving-up today to build for tomorrow is the only option they believe they have. This thought is so stressful that it can keep even those who want to save from taking any action at all. It freezes us in our tracks. So what do we do? We go back to trying to find better investments to make our Circle of Wealth® grow.

Maybe this will give you a clearer picture… it’s a golf analogy that might shed a little more light on this dilemma. Moving from one financial product to another, trying to find the best one, is like buying a new set of clubs to improve your golf game. While it’s important to have good clubs, the greatest impact on your game will come from perfecting your swing. The answer is in the process, not the product.

Let’s assume we’re going to send you to play in *The Masters*, the premier U.S. golf tournament. You can choose only one of these:

1. You can have the clubs of any player who has ever played a round of golf, or
2. You can have their ability

Which would you choose? Sure… you’d want their ability -- their swing. What is it that financial institutions deliver… clubs or swings?

DALBAR Associates' Analysis of Investor Behavior Study reported that during the years from 1983 to 2002, the average investor received a return of only 2.57% which was lower than the average inflation for the period of 3.14%. This period included the greatest Bull Market in stocks ever! The S&P 500 Index had an average annual return of over 12% for the period.

Let's call the products being sold out there, "the clubs." You're going to need clubs to play but having the correct swing is much more important for your success. Having the correct swing financially can mean you've avoided unnecessary wealth transfers, making your money perform at its maximum potential – doing all it can do for you.

Unfortunately, many advisors focus on the clubs and not the swing. You see, focusing on increasing wealth through making higher returns on your investments is the same as trying to fill a leaky bucket by pouring more water in it. Would you do that? Or course not! First, plug the holes and the bucket will fill, even if the flow is just a trickle.

So, how do you plug the holes in your financial bucket? This brings us to the third type of money, which consists of money you may be transferring from your , unknowingly and unnecessarily, through taxes, interest and non-deductable debt.

Transferred Money

Avoiding unnecessary transfers is a great place to begin. The interesting thing is that by avoiding unnecessary transfers, the dollars you were losing are freed-up to put towards your Accumulated Money or Lifestyle Money, with no additional out-of-pocket cost. So, what's the best way to begin increasing your Circle of Wealth® ? Why not begin by avoiding those practices where you could be transferring money away? You can accomplish this without affecting your present lifestyle!

Where are the sources of most major wealth transfers?

- Income and other taxes
- Financing cars
- Credit cards
- How you pay your mortgage
- Mortgage insurance
- Disability insurance
- Homeowner's insurance
- Major medical insurance
- Wills and trusts
- Term insurance
- Long term care

If someone could help you find money you're currently losing in these areas and bring it back to your financial table, it would free-up money for you to put in the other two categories – your Accumulated or Lifestyle Money.

It's a good idea for the lion's share of the money you'll learn to find to be funneled into your Accumulated Money, so that your future is more solid. But should all of it go there? Wouldn't it be nice if some of the money you rescue could go back into your lifestyle? This way, your journey along the way is a much more pleasant one.

Before looking for better investments, why not focus on eliminating unnecessary wealth transfers? Recapturing money you're currently losing unknowingly and unnecessarily is a good alternative to consider before taking-on more risk.

Increase Rate-of-Return by 38% While Reducing Risk… How Can That Be Possible?

George and Carol make $100,000 a year and save $5,000 per year out of that. Let's assume by selecting investments with higher risk, they're able to increase their return by 2%. That would be an additional $100 earned per year on their annual savings. In today's world, that's barely enough to cover two tanks of gas.

On the other hand, if they could reduce their expenses by 2%, without affecting their current lifestyle, through the elimination of unnecessary wealth transfers, they could potentially save an additional $1,900 per year. That's the equivalent of increasing the rate-of-return on George and Carol's savings by an incredible 38%, without having to increase their risk.

But wait… there's more. It's not just transferred money that reduces your wealth potential, it's also the lost opportunity cost on those dollars. *Opportunity cost* is an important term but may not be one that you hear very much. Basically, it represents the interest you could have earned on a given amount, had you been able to avoid losing it or transferring it away. A dollar paid in taxes unnecessarily doesn't just cost you that dollar; it also costs you what the dollar could have earned, if you hadn't given it away.

Unnecessary transfers represent money slipping through your fingers. Recapturing these dollars can make a huge difference in your financial future and give you the ability to enjoy the financial life you desire, both today and during retirement. You may be surprised to find out that you DO make enough money. Remember this… how much you make may not be as important as how much you keep.

A Circle of Wealth® advisor, like Jim Kuhner, has been trained in wealth protection and preservation. He can help you gain valuable insights into how to avoid many losing strategies that could be hindering your ability to create a brighter financial future.

Access to your money is also very important. It can allow you to make the necessary financial adjustments when needed and take advantage of growth opportunities when they come. Don Blanton, creator of the Circle of Wealth® concept, calls access to your money the "LUC Factor." LUC stands for Liquidity, Use and Control. Access to your money in an account, even with modest returns, could potentially produce greater results over time than an account with higher returns but no access.

Consider Your Car… It's Not What You Buy, But How You Buy It

Sadly, Americans who finance their cars could lose more money in interest financing their automobiles so they can get to work, than they will accumulate in their lifelong savings accounts at work. Few understand the devastating impact that transferring interest, in the form of finance payments, has on their financial future. Most of us understand that paying non-deductable interest is not a winning strategy but often, it is viewed as a necessary evil. Over a lifetime, the interest paid on financing cars, plus the opportunity cost lost on financing, may account for your most significant wealth transfer.

Buying a car is likely a necessary action in your life. You may not realize it, but how you handle this expense can play a critical role in your financial future. So what's the answer?

As surprising as it may sound... the answer isn't found in what you buy, but how you buy it. You actually finance everything you buy. If you purchase a car with cash, you save interest. However, you also lose the interest the money would have earned had you kept it invested. Every financial decision must also factor-in the opportunity cost of the purchase. Getting where you're going can cost more than you realize.

Now, take a close look at the cost of financing a car. Here is an example with some simple assumptions…

Let's say you are 40 years-old and you purchase a new vehicle every 4 years, at an average cost of $30,000. You expect to keep driving until you are 80, so over the next 40 years, you'll buy 10 new cars.

- You aren't factoring-in any money put down or inflation, but you know prices will go up.
- You assume you can earn 8% on your investments, which is an 8% opportunity cost (don't' worry about the interest rate relevance).
- You'll use an 8% loan finance rate (used for "variance perspective – important issue same interest rate for comparison.

Self-Financing Your Cars

Your monthly payment is about $732, so after 4 years, where do you stand?

You paid:	$30,000	principal
	$ 5,155	interest, not tax-deductible
	$35,155	total cash outlay

The interest paid represents almost 20% of the purchase price of the car. The interest you paid in financing costs a great deal. But did you know there are ways to avoid this loss? Had you been able to keep that interest you paid and invest it in your own account, averaging 8% could have potentially earned you over $90,000 in 40 years! That's just one car!

If you continue to finance one $30,000 car every 4 years, over the next 40 years you could transfer almost $300,000 in opportunity cost. The more cars you add to the equation, the greater the loss. Few buyers get this kind of information from the car dealer.

Over 40 years, the total cost is:

Principal	$300,000
Interest	$ 51,546
Opportunity Cost	$297,121
TOTAL COST	$648,667

One solution to this dilemma is to start building an account that will allow you to withdraw the money necessary to pay cash for your next car and then pay yourself back… paying yourself the interest you would have given to the lending institution. This will start you on the road to self-finance.

An important piece of this concept would be to pay yourself back at interest equal to the amount the lender would have charged, so that you will have the money available for your next auto purchase. Your cash flow still remains the same. The interest you pay yourself on this car will help you offset the impact of inflation on the next vehicle purchase.

Avoid Wealth Transfers When Using Credit Cards

There's only one thing to say about credit cards… pay them off every month and do not carry a balance!

Credit cards are a convenient and necessary part of our lives. Even though most people are aware the interest they pay represents a transfer of their wealth to the lender, they do it anyway. Month by month, it does not appear to cause too much hardship, but over a lifetime, this can be devastating.

The average credit card balance in the United States today is $9,400. At a 14% interest rate, the annual interest charged would be about $1,412. These dollars invested each year in your account at 8%, over 40 years, could grow to over $365,000. Can you imagine the potential to the lender at 14%?

Remember, the cost is not only the interest you pay, but the opportunity cost of what the interest would have earned, had you not given it away. This is a classic wealth transfer and one which must be avoided if you are to maximize your wealth potential. There is a way to avoid this type of loss and we can teach you how to do it.

You finance everything you buy… naturally, you will need to continue buying cars, boats, electronic gadgets, eat out, go on vacations, send your kids to college, etc. So, how do you pay for these expenses, without incurring significant interest transfers and opportunity costs?

If you find yourself in a financial position where you aren't earning interest, but you're paying interest on purchases like your cars and credit cards, you need to pay close attention. If you're earning interest but also paying interest, you need to understand that the interest you are transferring away is reducing the effective yield on the money you have invested. In this sense, we do finance everything we buy.

Simply put… YOU need to learn how to finance everything you buy, using your own money and pay yourself back in interest. If you can afford to pay the lending institutions interest, you can learn to pay yourself and keep the interest.

Rules of Self-Finance

- Pay yourself ALL the interest you currently pay to banks and finance companies
- Remove interest finance charges from your financial future FOREVER

- Recapture most, if not all, the principal of your major purchases
- Earn interest on YOUR money while you are using it for other expenses or investments
- Have access to your money for any purchase or opportunity tax-free
- Grow your Circle of Wealth® year after year, without increasing your risk.

A major reason people in America claim for not saving? Not enough income!

Non-deductible debt and interest loss is one of the largest wealth transfers. By learning to self-finance and avoid interest losses, you can potentially increase your wealth steadily and safely over time. So does this mean you shouldn't buy a car? Absolutely not! What does it mean? MMaybe you need to take a close look at how you're paying for your vehicles and you should be asking yourself a very important question before you buy them.

You may be surprised to discover that you probably do make enough money. The problem is more directly related to *how* you buy than *what* you buy. One of the keys to your financial success lies in *capitalization*. This is a big word for a big problem. Many people in America just aren't capitalized.

What does this mean? It means that when most people face a major purchase, like a new car, new roof or college education, they aren't in a position of financial control that offers choice and allows appropriate decision making – a place of personal financial liquidity and freedom.

If you've planned ahead, lined-up your cash flow options and positioned yourself strategically, you have the power to ask the right question before you make any major purchase. Are you asking yourself the right question? What is the right question? *Do I use my money or someone else's?*

Few Americans ever get to ask that question. Few are savers and few are saving enough to provide the same lifestyle in their golden years they enjoy during their working years. Hopefully, you'll truly consider that question as you read the principles presented in this book. Perhaps it will change the way you think about your money forever.