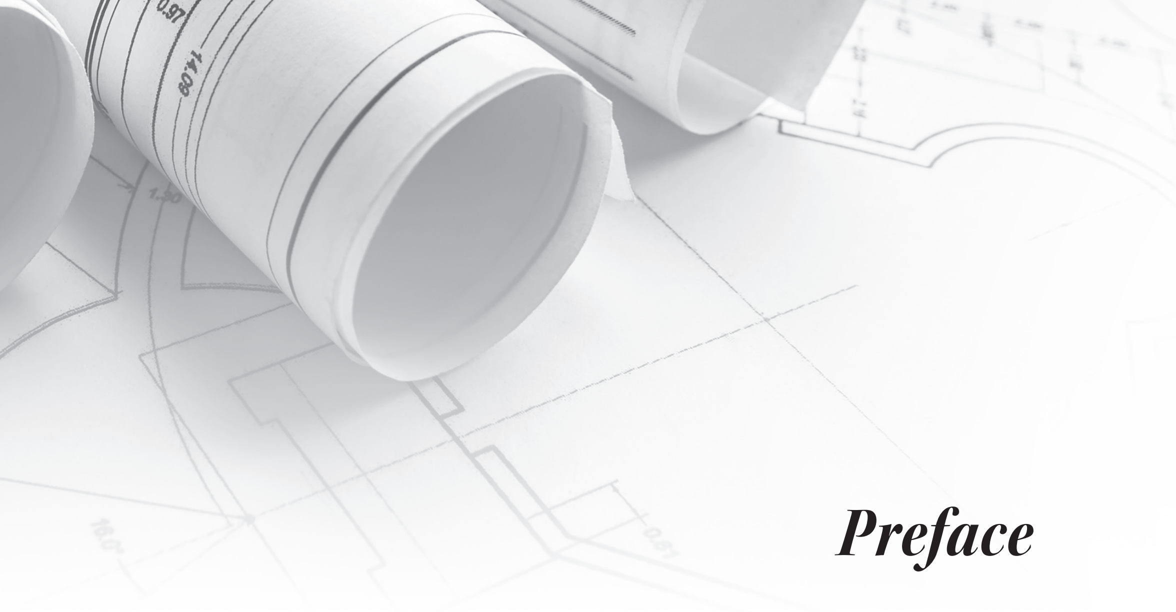

Preface

In days long gone retirees relied on company pension schemes. These were 'defined benefit' structures where the corporation, in collaboration with active mutual fund managers, took the full risk for the growth of their employees' retirement savings and ongoing payment of a pension right through the employee's retirement years. The company took the entire risk for ensuring that their pension fund did not run out of money to continue paying their ex-employees pensions. Otherwise, the company had to pay the ex-employees' pensions out of the company's annual profits.

On the surface, this seemed effective to everyday people because they took no risk and spent little time managing their retirement savings. It wasn't better; the fees, mostly hidden, and excessive caution ate into returns. Also actuarially, the company and collaborating mutual funds ensured that they weren't short-changed by paying out more pension than had been accumulated over time; meaning that the only people losing out were the employees through a potentially lower monthly pension and who had sacrificed salary in foregoing raises over the years.

If the worst happened and the company failed, the odds were that the company pension 'defined benefit' scheme collapsed with the enterprise. In this sense maybe the risks were bigger for retirees! Of course, government 'defined benefit' pensions don't face this latter risk. Or do they, as deficits and debt continue to rise?

Since the 1990's, saving and investing for retirement has moved from being mainly 'defined benefit' to being majority 'defined contribution' where the employee now takes the full risk to save for and grow their retirement nest egg. But employees can also reap rewards from this change through minimizing costs and using better performing investing approaches to accumulating a far larger nest egg.

Both 'defined benefit' and 'defined contribution' methods have been and continue to be supplemented by the promise of government Social Security payments when employees reach retirement. However, Social Security has limits, and there are plenty of ongoing discussions and doubts about the level of Social Security payments in the future. It is possible they will not even survive in the future given both government debt levels around the world and the investment needed by governments to support aging and longer living populations.

The bottom line is that workers today just cannot plan to rely on their Social Security being sufficient to fund a comfortable retirement in years to come.

More than ever, employees need to take responsibility early for saving and investing for their retirement. Some have, but most have not. This book has been written to cut through the jargon and confusion of investing alternatives to provide specific solutions for investors who may even have no prior investing knowledge and who want to provide for a comfortable retirement, or even better, to achieve financial freedom. These solutions are also very applicable to those investing for reasons other than retirement.

For decades, many large mutual fund institutions and their distribution networks have preyed on would-be investors and scared them into believing that it is too risky and too difficult to be a do-it-yourself (DIY) investor.

The independent everyday investor CAN manage and control their own financial resources, invest them confidently and do much better than the active mutual funds.

[A term I will frequently use in this book is 'active mutual funds'. These are large mutual funds that invest in one or more investment classes with ongoing re-balancing in and between asset classes and investing strategies in trying to *perform better than a benchmark index*. They can include active equity mutual funds, balanced funds of some sort, bond funds or money market funds. In many countries, they are called 'managed funds.' By contrast, 'passive index funds' attempt to *match, or track, a benchmark index*.]

One of the most glaring misrepresentations of the active mutual fund industry is to advise investors that the *only* way to profit in the stock market is by "time in the market." They expound a long-term buy-and-hold strategy in their fund as the only way to invest capital for retirement, or any other goal. And as a result, fund managers have benefited greatly by keeping ordinary people financially confused by marketing *their* 'investment philosophies'.

Fund managers use the ups and downs of the financial markets, stock trading jargon and the need for a steep learning curve to investment literacy as evidence that the independent investor would soon fail if they did it themselves. Some of their catch cries include buy-and-hold active mutual funds forever otherwise missing the ten best days every ten years could wipe out all your ten-year gains; risk management through diversification; professional portfolio management; streamlined administration; accountability and transparency through regulation; and others.

For example, *diversification across different asset classes is an essential risk management technique used by active balanced and target date mutual funds*.

It is a valid method, but for investment horizons of three to seven years, or maybe ten at a push. But not for twenty, thirty or forty year horizons.

The average time to retirement for all working people investing for retirement is thirty-three years! This average is getting longer as more young workers start their 'defined contribution' retirement savings journey, and older workers retire later.

There is a mismatch between the risk management technique and the investment horizon of their customers. I will expose the poor performance that results from long-term diversification that also doesn't deliver as much risk minimization as it is supposed to do.

These and other distortions are myths, and in this book, I will show you how false marketing tactics should not sway people from investing successfully using alternative approaches.

It is evident also that *percentage based commissions and fees computed on 'funds under management' (FuM)* motivates fund managers to build their fund size as much as possible through raising capital and incentivizing advisors, with secondary regard for growing their customers' wealth.

This book will help you learn simple, well-researched strategies to do it yourself (DIY). For those with many years before retirement, your strategy may be a type of 'buy-and-hold', but not individual stocks or active mutual funds.

You can learn much better strategies in a few hours with this book, and spend less time managing and executing them than it takes to watch just half an hour of TV a week.

You will then be able to create wealth faster than those who don't know these simple secrets of successful investing, and faster than leaving your nest egg invested in active mutual funds. I will explain the advantages of being an active, agile and savvy do it yourself (DIY) investor with a defined strategy and Investment Plan.

Of course, DIY may not be acceptable to 100% of investors. I accept that. Some will be skeptical, some apathetic. Some will say that it is just not for them. Most will justify their current strategy as appropriate for their goals which, hopefully, will provide for their years of retirement when they get there.

Better technology means populations are living longer nowadays but also need more access to costly health and medical care. Supporting this assertion, in 2015 there was a 70% chance that one of a sixty-five-year-old couple would reach age ninety; suggesting the need to provide for even longer retirement. And all the statistics show that collectively most people simply will not have enough and nor will Social Security help make up the shortfall.

To make retirement far more satisfying, comfortable and efficient, each of us will have to take carefully considered decisions to achieve the most effective investment outcomes for our money. We will either need to contribute more to our retirement savings, achieve better growth for our savings before and during retirement, or both.

This book contains the necessary solutions and tools for you to become an empowered investor. For retirement, or other goals. I sincerely trust that by discovering and using these strategies over the long term you will create wealth for a retirement that is happy, secure and comfortable, and you will be financially free to do what you want with your money.

My mission, through this book and my business, Share Wealth Systems, is to empower and skill everyday people just like you to achieve a better life and retirement nest egg through simple stock market investing.

I wish you enjoyable learning and effective investing.

Gary Stone
July 2016