The Wall Street Journal Guide To Understanding Personal Finance.

(Condensed and taught by Leo Schreven, All credits given to the Wall Street Journal.)

Hello everyone and welcome to the book of the month. This month we are going to go through some basic principles of personal finance and investing. Some of the items will be familiar, others will be new to you, and our purpose is to educate you in the understanding of personal finance, and the things that are associated with it. So let's jump right in, as we talk about banking, credit, finance, financial planning, investing, and taxes.

Let's begin with banking. This is not something I have to say too much about, but it would be good to look at the various types of banks available to you. There are commercial banks, savings banks, S&L's. Credit unions, Virtual banks, Brokerage firms and Insurance subsidiaries.

The commercial banks are most common. Deposits made in them are FDIC insured up to $100,000. Most of these banks charge fees for checking and other services and are often the highest you will pay. In Savings and Loans or S&L's, you will find the personal service is usually better, especially the smaller banks. Most of them are FDIC insured. The Credit Unions have fees and their rates are usually lower because they are nonprofit. Most of them are also Federally insured, but not all. The virtual banks are now very popular, and certainly the easiest to deal with.

Banks offer several different types of checking accounts to appeal to many different customers. First there are regular checking. In this you can write as many checks as you want, but you earn little or no interest on your account. These regular checking accounts also impose a fee for each check and monthly charges in most cases. Then there are Interest checking accounts. You can write as many checks as you want, and you earn monthly interest based on your banks rates. However you are required to keep a minimum balance, usually around $3000. Their fees are sometimes higher than those on regular checking accounts. Then there are money market deposit accounts. These are popular but are usually limit you to two or three checks per month and they restrict money transfers. There are also asset-management accounts, where brokerage houses or banks handle your investments and may also offer checking accounts. You can usually write an unlimited amount of checks and you have an advantage because you can have all of your banking and investing needs done in one place. You usually need a balance of $5,000 or more, to begin an account.

One of the fundamental rules you want to remember as you bank is that you should keep checks you write for income taxes until they can no longer be audited. This is usually about five years.

Let's take a moment and also discuss CDs, or certificates of deposit. CDs are a popular investment because they live up to their promise of safety and income. When you put money into a CD, you expect to get it back at a specific time, plus the interest you earn. In return for that security, you agree to leave your money on deposit for a specific period of time, usually six months to five years. The minimum deposit is often $500, and there is usually no ceiling. In investment terms, the money you put in is known as your principal. The life of the CD is the term. And the time it matures or ends is the date of maturity. The most important thing to remember when choosing a CD is the interest rate, since that determines what you earn. Generally with a longer term you get a higher rates. Banks also offer money market deposit accounts, which usually pay a higher rate of interest as long as you maintain the required minimum balance. Money market deposit accounts also allow you to write a number of checks each month.

Technology today is making banking easier than ever, and most people are using direct deposit for paychecks, investment earnings, pensions, and Social Security payments. Electronic banking eliminates any delay in checks getting to your bank. Banking online is also convenient because everything happens in real time, and you can bank 24 hours a day, seven days a week. Banking online is secure with firewalls, encryption, and PIN numbers. I have never heard of anyone losing money by using online banking.

Let's talk for a few minutes about credit. When you borrow money to pay for something, or use a card to charge a purchase you are using credit. Its boils down to, "you buy now and pay later." There are different types of credit cards as well. Regular credit cards including American Express, Discover, MasterCard, and Visa, let you charge purchases up to a certain amount. This is called your available credit. You can pay back the amount of credit you used in full, or at your pace, providing you pay the minimum due each month. Once you repay an amount, it is available for you to use again. Next, there are travel and entertainment cards. These include American Express, and Diners Club. These let you charge purchases, but require you to pay your bill in full each month. If you fall behind, they can really charge high interest. With these cards you are not given any credit limits. Then there are debit cards. These really are not credit cards at all. There are more accurately called check replacement cards that allow any retailer to debit your bank account for the amount of purchase.

There are three things that affect your credit card costs. Annual fees, finance charges, and grace periods. Annual fees are once yearly charges for using a particular card. You can often avoid them entirely by choosing a card that guarantees that there will be no annual fee for as long as you use it. Finance charges are the costs of using credit. Issuers still charge 18% or more a year on your outstanding balances on cash advances. Grace periods, sometimes called, “grace days” is the time between when you're billed and when you have to pay.

Now, let's move on to the area of loans. The elements are all pretty much alike. You borrow money which is called the principal. You agree to pay it back over a specific term, or length of time, with interest. The conditions of the loan can affect how much you can borrow, and how much the loan will cost you. There are three factors here. You can pay in installments, or return the lump sum. The interest can be fixed or adjustable. And the loan can be secure or unsecured. Lets look at all three.

Installment loans are when you borrow the money all at once, and repay in set amounts or installments on a regular schedule, -usually once a month. Installment loans are also called closed end loans, because you must pay them off by a specific date. As an example, let’s take a five year note for $20,000 at 10% interest. Your monthly payment for five years is $425 a month. Your total payment is $25,497. Your total interest paid is a $5,497.

A secured loan is different. This is when you put up security or collateral to guarantee the loan. The lender can sell the collateral if you fail to repay. Car loans and home equity loans are the most common types of secured loans.

Unsecured loans are made solely on your promise to repay. If the lender thinks you are a good risk, nothing but your signature is required.

You can also get a line of credit. This is often referred to as "revolving credit." It lets you write special checks for the amount you want to borrow, up to a set limit by the lender. The credit doesn't cost you anything until you write a check. Then you begin to pay interest on the amount you borrowed. As you borrow remember that in most cases, a fixed rate is preferable to an adjustable rate. The installments stay the same each month, they are easy to budget, the payments are consistent, and the cost of the loan won't increase, so there are no surprises.

Considering the cost of a loan, and how long you have it are critical. Let's say you get a car loan for $13,000 with interest at 12%. On a three-year note your interest payments would be only $2,758. On a four-year note your interest will be $3,723, and on a five-year note it would be $4,723. That is a big difference! It is also good to be educated how repayment works. Let's say you have a loan for $100,000 with a 7% interest rate. Your first payment would be $581 interest, and only $83 principal. By the time you make your final payment of 30 years later, your interest payment would be $3.88, and your principal would be $661. There are many companies that can help you change this and pay more on the principal earlier. One of my favorite is UFirst financial. You can look them up online at www.ufirstfinancial.com. They can often reduce your loan by 2/3 and save you hundreds of thousands of dollars.

Another important item is your credit history. Your history is being written and rewritten all the time. In fact, collecting and reporting credit history is a $1 billion industry in the USA. Records are kept on over 180 million people in the United States alone. There are three credit bureaus that collect your personal information on credit, insurance, and medical situations. This is passed on to retailers, banks, insurers, potential employers, and other organizations who have been approved as recipients.

Many people have a bad credit report, because of coping with debt. If you are one of them listening today, I'd encourage you to contact the National Foundation for Consumer Credit. This is a nonprofit organization with offices in all 50 states. They help you arrange repayment plans. You can call them at 1-800-388-2227. You can also ask your creditors to rewrite your loans to extend the time you have to pay and to change the payments so that you can afford to make them. The extensions will increase your overall cost because the creditors will charge you interest over a longer period. There are nonprofit credit counselors in every city as well. For a small fee, these counselors go through your debts, analyze your income, and help you work out ways to handle your debts. Last, there are loan consolidators, who are private businesses that lend you money to pay off your debts. You then owe only one creditor, which is them rather than having to deal with a dozen credit card companies. The good news on this is that you pay only one check each month. You can repay over a longer term, and you can make the minimum monthly payments. The bad news is that the interest they charge can be very high so you lose a lot.

Your home is one of your biggest assets. So let's discuss the power of refinancing. When interest rates go down, you may want to refinance your mortgage to get a lower rate. The rule of thumb is that it pays to refinance if you can get an interest rate at least two percentage points lower than you currently pay. This can save you thousands and thousands of dollars. You may also consider home equity borrowing. A home equity loan usually offers the best rates, plus the advantage of tax savings. These loans are easy to get, the rates are usually lower than on unsecured loans, the interest is also tax deductible although there may be a cap on it and other restrictions. Check your local state and tax advisers.

Okay lets go next into financial planning. When you do financial planning, you're looking to the future. Specifically at building the kind of security you would like to have to be able to afford the lifestyle you want. I want to encourage you, it is never too soon or too late to begin. To begin, you need a clear sense of what your goals are and what it will cost. Basically there are three kinds of goals. First, your short-term goals. You can invest for things you hope to have in a couple of years like a new car or a new home. Next, there are mid term goals. You may have expenses to meet several years in the future like tuition payments or a vacation home. Third are long-term goals. You probably have hopes of a comfortable retirement, and the opportunity to go places and do things you've always wanted, as well as a chance to provide security for your heirs.

To reach these goals I'd like to encourage you to make a financial plan. This is going to be an important issue. When you do this remember that financial planning almost always involves making investments. The issue you'll have to resolve is the kind of investing is your comfortable taking.

Conservative investing usually means putting money where there is little risk to principal. Typical choices are Certificates of Deposit or “CD’s”, and U.S. Treasury bills, bonds and notes. Putting money in savings accounts and money market funds isn’t generally considered investing since your principle grows very little if at all.

Aggressive investing usually means taking the risk of losing your investment in exchange for the possibility of making a large profit. The investments are typically stocks or mutual funds, or futures and options. If you want more specific information on this, I encourage you to pick up our DVD, “Investing Wisely” which goes into detail on these investments.

One of the most overlooked factors in making a financial plan is beating inflation. Inflation basically refers to the gradual increase in what things cost. Because prices rise, money doesn't buy as much this year as it did last year. Ten years from now, it will buy even less. The inflation rate has risen an average of 3% a year since 1926. To put that in perspective, a shirt that cost $20 this year, would cost almost $40 in 20 years. That means to maintain the same standard of living, you need an equivalent increase in income every year, - at least 3%. The best way to plan this is your household budget. Everyone should invest at least 10% of your gross income every single month. With inflation factored in, this will be a 7% gain each year. In All Power we teach the principle called, “pay yourself first.” After the tithes and offerings, always pay yourself first. If you build this into your budget, you will definitely succeed at creating financial wealth.

Another very important item to look at is your net worth. Your net worth statement is a snapshot of where you stand financially at any given point in time. I urge you to do it. The first step is to look at your assets. All wealthy people calculate their assets, not their money. So take a piece of paper and write down the value of all your assets. This would be things like cash in the bank and money market accounts, amounts of money people owe you, stocks, bonds, mutual funds, life insurance, (the cash surrender value,) IRA accounts, retirements and 401(k) accounts, Real Estate values, your own business value, personal property like cars, boat, etc. Add all these up, and you know that your assets are.

Next, your liabilities. These are things like your mortgage loan, car loans, lines of credit, charge accounts, margin loans, alimony payments, taxes owed, college loans, insurance, business loans, etc. Add the value in the list and you will know your total liabilities. Subtract the liabilities from the assets and you will know your net worth. It is good to do this at least once a year to stay on track.

You are also going to want to calculate the cost of a college education. Tuition at private colleges and universities has increased anywhere from 5 -13% every year since 1980. At the current trend, tuition bills at private colleges will average $39,000 in 2018. There are a few things you can do to prepare for this such as using education IRAs, or you can use US savings bonds. Interest on US savings bonds is completely tax-free if you use the money to pay for higher education. You may also qualify for a Hope scholarship tax credit, which will help a lot, or you can get a student loan. Remember, the interest you pay on student loans is now tax deductible. Over half of all American college students borrow part of the cost of their education. A plan that you may want to consider is a prepayment tuition savings plan. Over a million people are using prepaid plans. The plans let you pay future tuition at today's cost. You can pay that amount either in a one-time lump sum, or in monthly installments during the months you want to lock it in. The program promises to pay your child's tuition when he or she enrolls in an eligible school, usually in the state offering the plan. If you want more information, go to the US Department of Education, listed in your phonebook.

Planning for your retirement is also critical. Some people are counting on their pension plan, however, these are more and more disappearing. The more you plan for your own retirement, the more likely you are going to succeed. Many people are using IRAs. These are easy to set up, but a little more difficult to understand. IRA's stand for, “Individual Retirement Accounts.” These are tax-deferred, personal retirement plans. There are three types.

The traditional deductible IRA.
The traditional non-deductible IRA.
The Roth IRA.

Let's look at them individually. All traditional IRAs are tax-deferred. That means there is no tax on earnings until you withdraw. Roth IRAs, are tax-free also if you follow the rules for withdrawal. With Roth’s you owe no tax at all on your earnings as they accumulate or when you withdraw. The traditional deductible IRA has the strictest rules, and the traditional nondeductible IRA has none at all. The Roth IRA is between these two. It is my personal favorite, and I highly recommend it. IRA’s are easy to open up, and they just take a few minutes to fill out a form. You also have until April 15, to open an IRA account and make the deposit for the previous tax year.

The best investment in my opinion are 401(k)s, which come in a variety of types. In the All Power seminar we teach a lot about this. It is hard to find a better deal than a 401(k). These plans allow you to defer taxes your salary by contributing to a special retirement account set up by your employer. The amount you contribute each year is not reported as income on your W-2 form to the IRS. This lowers your income, and your tax bracket. The plans are self directed, which means you choose the investment, which is another huge advantage. Since we teach this in the All Power seminar I don't need to comment too much more at this point. You may want to refer back to seminar #18 to review these principles.

Tax-deferred annuities are another way people build their long-term investments. However, putting money into an annuity doesn't reduce your salary or income tax the way a 401(k) plan will do. Some people like them, but there are other investments that give you a lot more for your money in my opinion.

Let’s also take a look at Social Security. Social Security was introduced in 1935, after the Great Depression. Medicare and health care for people over age 65 was added in the year 1966. In 1972 these benefits were indexed to inflation, so that as the cost of living goes up, your Social Security payments increase as well. It is actually a joke, but that's how the government operates. Just for your information, the first three digits on your Social Security number indicates the state where you apply for your card. The second group of digits are a state code, and the last digits are assigned in numerical order. Getting your Social Security money is changing also, as you get older. In 2009 you will have to be 66 years old to get your Social Security, and in 2027 you will have to be 67 to withdraw. You can collect 80% of the benefits if you elect to retire at age 62. I do not recommend this, it is better to wait till the official retirement age. One of the real bummers of Social Security is that you still have to pay tax on it. Believe it or not, the government can tax up to 85% of your Social Security, depending upon your income. Most people don't realize this so you must plan for it. My faith in the Social Security system is about zero.

Medicare has had a cash flow deficit since 1992. In other words, payroll taxes they take from you don’t cover the current benefits payments. So, Medicare is simply unsustainable. Social security is in the same boat. The number of elderly will double to 75 million by 2030 and the number of seniors in nursing homes will increase 5 fold by 2030. Medicare debt is currently $62 Trillion dollars. Social Security debt is now $10 Trillion dollars. Now, lets put that in perspective. Let’s take the entire value of all the stocks in the world on the market. That equals $36 trillion dollars. Take all the bonds of the world on the market and you have another $31 trillion. We owe more on SS and Medicare than all the money in the stock market and bond market combined. Hello? And this does not account for all the future people who are going to retire. So the first step you need to take is get out of the mindset the government will take care of you. The more you prepare for yourself the better off you will be.

Let's also talk about Life Insurance for moment. Evaluating your life insurance needs is a key to a financial plan. If you support a family, keep a household running, have a mortgage, or expect the kids to go to college, insurance can fill the financial gap left by your death or disability. The most common question here is, “how much do I need?” The answer is seven to 10 times your annual salary. A modest family needs a minimum of 400,000. There are different types of Life Insurance, but they work on the same basic premise. You make payments called premiums, to the insurance company, and the insurance company promises to pay the beneficiaries a death benefit when you die. The major difference between life insurance is whether it is a term policy, or cash value policy. Term insurance is the most straightforward and often the least expensive type of coverage you can buy. You can buy one year at time for a specific period, and if you die during the you're your beneficiaries collect. But if you are alive when the policy expires, the coverage ends and there is no payout.

Cash value insurance on the other hand, such as Whole life, and Universal life, combine a death benefit with tax-deferred savings. Part of the premiums you pay goes in cash reserves, which accumulates tax-deferred. If you surrender the policy you get the cash reserves back. When you die your beneficiaries get the death benefit. If you drop the policy, you get to keep some of the cash reserves. That is the cash surrender value. But you will owe income tax on your gain if the cash surrender value is greater than your net premiums.

In the simplest terms there are still only three basic types of cash value insurance. First, Whole Life Insurance, sometimes called a straight life, is the most traditional. The premiums stay the same for the length of the policy. Once you've paid all the premiums, the policy remains in effect until you die. You accumulate a cash reserve, but you have no say over how the money is invested. The second is Universal Life. It offers some flexibility. You can vary the amounts of the premium by applying a portion of the accumulated savings to cover the cost. You can also increase or decrease the amount of the death benefit, while the policy is in force. But you pay for this flexibility with higher fees and administrative costs. Typically there is a guaranteed rate of return on the savings portion of the first-year and a minimum rate for the life of the policy. Third, Variable Life Insurance. This is a cash value insurance designed for growth. You can choose how to allocate your cash value among the accounts the insurance company offers. The value of your policy at any point reflects how well your accounts are doing.

Something else very important to look at, that is often overlooked, is your long-term care. When you are doing financial planning, you have to think about some of the things you'd rather not think about, such as the long-term health care. You may also want to think about the cost of taking care of aging parents or disabled children. These expenses can be huge so put some time and thought into it.

Another very important area of financial planning is your estate plan. I would encourage you to order the book from our office, “80 Proven Ways to Become a Millionaire” by Paul Damazao. It has several wonderful sections on estate planning that are very good. Estate planning basically deals with what happens to your assets after you die. The more you have, the more important it is to have a comprehensive plan using Trusts and other strategies to disperse your assets. There are several strategies you can use to save your heirs money after you die.

First of all are tax-free gifts. Both you and your spouse can make tax-free gifts up to $10,000 in cash or property to anyone you want each year. For example, by giving each of your three children, a gift of $10,000 a year for seven years, you would give a total of $210,000. This would reduce your estate value $210,000.

You can also set up a bypass trust in your will, to pay assets free of tax to your heirs after your surviving spouse's death. Because the Trust exists as an independent entity, it isn't considered part of your spouse's estate, even if she or he has access to income from the trust assets. Let's say for example your estate is worth $875,000. You could first leave $200,000 to your spouse tax-free, because of the unlimited marital deduction, and put the rest in a bypass Trust for the eventual use of your children or grandchildren.

Let us also discuss the unified tax credit. Every person gets a federal unified tax credit, which can eliminate or reduce tax on gifts and assets that you give away during your lifetime or that you leave to your heirs. The credit is currently $1 million. This tax credit includes all the taxes due on taxable gifts you have made throughout your entire life. You can also use the Uniform Gift to Minors act, known as a UGMA, or the Uniform Transfer to Minors act, UTMA. With these you can give tax-free gifts up to 10,000 a year to minor children. Estate planning is critical, or the government will take care of it for you and you will lose most of your estate.

This leads us to another very important area, and that is making a Will. Believe it or not, two out of three Americans die without a Will. With out a Will, the state will determine what happens to your estate, and your minor children. This is done by probate court, it is terribly slow, expensive and you lose a lot. Every state is different so be sure to get a good attorney and do it right.

Let's take a moment to look a little deeper into Trusts. Trusts are actual legal entities, like corporations. They can earn income, pay taxes, and distribute earnings. The Trustee administers the trust, making investment decisions, paying taxes, and distributing the income. So you as the donor, set up a Trust, you name the beneficiaries, you name the Trustees, and transfer your property into the Trust. The Trust then earns income, pay taxes, and distributes the benefits. The Trustees control the property in the Trust, manage the trust investments, and oversee the payouts. The beneficiaries receive the benefits of the Trust according to the terms. It is important to remember a Trust can be irrevocable, which means you can't make any changes once it's set up, or revocable, which means you may modify the terms over time.

There are several types of Trusts. The first is a Living Trust, and this is set up when you are alive. You can serve as the Trustee yourself, or you can name someone else. When you die, the Trust assets are distributed directly to your beneficiary.

The second Trust is a Testament Trust. This is created by your Will, and when you die it is funded by your estate. Testament Trusts are administered by Trustees that you name in your will.

Third, there is the Pour-over Trust. You establish this when you are alive to receive assets, like life insurance benefits that are paid at your death. They can also receive assets specified in your Will.

One of the drawbacks of Trust’s, is that most of the earnings are taxed at the highest rate. So you can also consider using a Charitable Remainder Trust. This Trust benefits a specific charity. This basically is donated at your death to the charity tax-free.

Let’s now discuss a bit about Investing. When it comes to investing the primary purpose is to increase your income and build the value of your assets. Again, I teach on this in our DVD called “Investing Wisely.” So I will not comment on this too much in this tape. Let's just cover the few basics. First, investing in stocks. You can buy stock over 12,000 publicly traded companies. When you buy stock in a corporation, you become one of it’s owners. A stock actually has no value. At any given time, its value depends on whether the shareholders want to keep it or sell it, and on what other investors are willing to pay for it. If a stock is hot, and many people want shares, the value will go up. If a company is losing money, or if a particular industry is doing poorly, the stock will probably drop in value.

You may hear the terms “bull markets”, and “bear market.” Bull market refers to a market that is going up, where a bear market is one that is dropping.

The types of stocks are endless. There are income versus growth, penny versus blue chip, defensive versus cyclical, common versus preferred, and small companies versus large companies. It opens up a wide universe that you can shop and do well if you do your homework.

You may have also heard of a stock split. If a company thinks the price of its stock is too high to attract investors, they can split the stock. That way, the stock-owners have more sharers and revalue the stock at a lower price. If the stock is split two for one, the price is at half, and the number of shares is doubled. The total value of your stock is the same, like getting two nickels for a time. But at the price climbs back toward its pre-split price, the value increases.

We should also discuss briefly investing in bonds. Bonds attract a lot of investors, because they usually pay regular interest income and are very secure. Bonds are loans that you make to corporations or governments, so buying a bond makes you a creditor. They are a fixed income security, because they play a specified amount of interest on a regular basis. There are basically five kinds of bonds.

The first is Corporate bonds. These are created by major corporations borrowing money for big projects and they are backed by specific corporate assets like property or equipment.

Second, is Municipal bonds. These are issued by state and local governments and invest in projects sponsored by the government or state.

Third are US Treasury bonds. These come in two ways, intermediate, which mean 2-10 years, and long-term bonds, which mean 10-30 years. These are a major source of government funding.

Fourth, US Treasury bills. These are short-term bonds within a year. They are sometimes known as T-bills.

Last, Agency bonds. Federal, state and local agencies sell these bonds. They are federally guaranteed mortgage-backed bonds sold by government National Mortgage Association. Bonds are considered very safe investments, however they do not return a high rate of interest.

Then there are Mutual Funds. Again, I deal with this thoroughly on my “Investing Wisely” DVD. There are over 14,000 mutual funds available. Aggressive growth funds, regular growth funds, growth and income funds, balanced funds, international funds, global funds, bond funds, high yield funds, money market funds, etc, and each of these invest in thousands of different things. My personal strategy on mutual funds is very simple. I look for trends, for example, in the last few years, oil has gone up dramatically. So that was an obvious place to invest. China, is creating the equivalent of an entire USA workforce every 13 months. So that was an obvious place to invest. I then select Morning Star magazine, and look at all the funds available in China. There may be 200 of them. Morning Star magazine shows the track record of these 200 funds for 5 years, 10 years, and 15 years. I look for those funds that have a 50% or more return for the last 10 years. Out of 200, there might be four. That tells me the fund manager knows what he is doing. And I am very safe to invest in that fund. So do a little work, get my “Investing Wisely” DVD, and you can learn these skills quickly. Many people consider mutual funds as safe investments, because they don't just invest in one company. Your money with thousands of other people's is invested in hundreds of different companies. So the risk is lower.

OK, now just a few words about futures and options. Futures are obligations to buy or sell. Options may be a right or an obligation to buy or sell. A futures contract is a deal you make now, to buy or sell a commodity in the future. The prices can change dramatically during the life of the contract as a result of supply or demand or other market pressures. You can make or lose large amounts of money, because you leverage the money 10 times either way. With options you have the right to decide whether or not you want to buy or sell the underlying investment. There is an agreed price, called the strike price that happens before a specific date, call the expiration date. You lose only the premium, or the price of the option if you don't exercise, or act on the option. The most common, and least risky options for individual investors are called covered stock options, which means you own the underlying stock and have it available to sell.

Two common words used in options trading, are, “calls” and “puts.” Another two words that are common are to, “go long” or “go short.” A call means you have the option to buy, a put you have the option to sell. Going long means you are buying, and going short means you are selling. Options trading and futures trading is something that requires much education and time. It can yield great amounts of money, but you can also lose your shirt. So be careful in this area.

Many also have discovered the blessings of investing in Real Estate. From vacation and retirement property, to empty land, to rental properties, Real Estate has made many people wealthy over the years. Real Estate is like any other investment, it has its ups and downs. But over the years, Real Estate has proven to be one of the most sound investments you can make. The tax advantages are a huge reason Real Estate is my favorite investment. Whenever there is a Real Estate drop, I encourage people to get in and buy because it always goes back up.

Let's take a look at taxes. If you forget everything else I say on this CD, don't forget this. Taxes are your worst financial liability. We teach you how to dramatically reduce your taxes, or pay no tax at all, through the Rat Race Relief system we provide at All Power. You can look this up online at www.allpowernetwork.com. The average American makes 42,000 a year, and 14,000 is paid back in tax. There are many ways to reduce this. But one of the things I encourage you to do, is to take a good look at how much tax is costing you every year. The government collected over 900 trillion in taxes last year. But besides that tax, you also pay state income taxes, (unless you live in Alaska, Florida, Nevada, South Dakota, Texas, Washington, or Wyoming.) Then there are sales taxes on goods and services sold, there is property tax on your real estate, excise taxes on manufacture, luxury taxes on expensive items, gift and estate taxes, and the list goes on. Once you see how much tax you are paying each year, you can begin to reduce this dramatically. It should make you angry realizing that you have to work from January 1 to May 30 just to pay your federal, state, and local taxes for that year. Just going from the highest tax bracket at 39% down to the lower tax bracket of 15% over 40 years that you work can make a difference whether you are a multimillionaire or not. I also urge you, again, to purchase our Rat Race Relief system, which can show you how to open a home-based business and save this money. Tax planning is critical, if you are going to retire with money.

Well folks, that is a summary of the Wall Street Journal guide to understanding personal finance. Financial education is the most important thing to being a good steward of God's money and I hope you have found some helpful items this month in this presentation. Remember you can download a free copy of this transcript at our website, www.allpowerseminar.com for future reference.

Thank you so much for being a partner with us in making our ministry possible. Thousands are being blessed each day around the world and it is because of people like you!

Blessings and best wishes,

Leo Schreven

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