

**Question - How do you end up with a \$1,000,000 portfolio?
Answer – Start with \$2,000,000!**

This week's title of my column has been a joke circulating through the ranks of comedians for years. However, given certain periods in the stock market like 1973-1974 and 2000-2002 just to name two, some aggressive investor's portfolios fell by 50% or more. Faced with this predicament would you buy more, sell everything or just do nothing. The wisest answer after a look-back analysis would be to buy more shares since markets don't go or stay down forever. Research from various mutual fund companies and other investment houses have demonstrated that time in the stock market produces superior returns than trying to time the stock market. In my 26 years in the financial planning and services industry, I have observed this valuable lesson more than once.

Time in the stock market will generally heal most of the wounds caused by major market pull-backs returning your portfolio back to its original sum and more! It is critical that during your working years to invest the maximum tax deductible amount allowed by law, of your earned income into an IRA or a work sponsored retirement plan. In addition, it is imperative to invest systematically as much as you possibly can into a regular non-qualified account. Let me tell you why I think this should be as routine as brushing your teeth every morning.

How much do you think a 7 year old boy, I'll call him Johnnie, will require as a 65 year old man to live comfortably through age 100? (By the way, the most recently published mortality tables now run to age 120!) For starters, let's say Johnnie was 65 now and retiring, desiring a \$100,000 annual income. If he could secure a 7% rate of return during his retirement years, in order to generate \$100,000 in annual income, he would require a lump sum of \$1,428,571. But Johnnie won't be 65 for 58 years and we must factor in an inflation rate to determine exactly how much of a lump sum he will require to give him the same \$100,000 of 2007 purchasing power dollars. With a 3% inflation rate over the next 58 years, \$100,000 today must be \$555,340 to have the same purchasing power. Once again, at a 7% withdrawal rate, the lump sum necessary to generate the \$555,340 annually is \$7,933,429.

Almost \$8,000,000! The next question is how much money Johnnie or his parents must commit to invest every month to accumulate this long-term goal. Using 7% as the compounded rate of return determines that the investment must be \$829 per month for 58 years! Not many 7 year olds can afford this amount, neither can their

parents. No allowances have been made for income taxes, the cost of raising or educating Johnnie and the inflation rate during John's retirement years.

Living in North Jersey, I certainly wouldn't consider a \$100,000 annual income to be rich today, let alone 58 years from now. Here is the dangerous bottom line... Johnnie and all children around his age of 7 must be deca-millionaires to have any quality of life in retirement. That's right \$10,000,000 is the magic number to accumulate and investing \$829 a month may get you to \$8 million or \$1036 for \$10,000,000... if you're age 7. If an 8% rate of return assumption is used the monthly investment requirement reduces to \$660 for \$10 million.

A stock market based investment is virtually the only asset class that can accomplish this goal of deca-millionaire for most people. Therefore, all 7 year olds must unite with the mission of becoming deca-millionaires and pay close attention to the rules.

Oh – 7 year olds are probably not reading this article so may I charge you with the responsibility of teaching them the lessons of: **“pay yourself first”** and **“live below your means”** and **“if you don't need it, don't buy it”** and **“buy low and sell high”** and **“time in, is better than timing the stock market”** and **“think like a millionaire or you will never be one”**. Come to think of it, maybe all of us can use this refresher course of the most basic rules of becoming financially independent. After all, if we are not for ourselves, (financially), then who will be for us? The Federal Government? I wouldn't count on it!

If you would like to learn about tax-advantaged long-term retirement funding vehicles for your children and grandchildren that can jump start their way to financial independence, contact me through our American Prosperity Group Website at: www.1APG.com it's worth the look!

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