COMMON SENSE PRINCIPLES

FOR

ACHIEVING FINANCIAL INDEPENDENCE

A Blueprint For Getting

Your Financial House In Order

By Richard Everett

Financial Planner Of The Year

Disclaimer A: Any legal advice herein is offered solely as the opinion and research of the author, and it is strongly advised that any legal questions be directed to a bona fide attorney.
Disclaimer B: As with any book that *deals* with finance, it will always run the risk of making references to companies or technologies that have already ended up in the dustbins of history. Once-dominant brands of today can quickly be the forgotten brands of tomorrow. The author has kept the information as contemporary and up-to-date as possible up until the date of publication. However, the author recognizes that current corporate giants could completely vanish in the future.

Biblical References: New International Version
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ALSO BY RICHARD EVERETT

Whatever Happened To The Promised Land?

Reclaim God's Promised Blessings:

How To Be A Great Investor

Investment Techniques For Christians

Dedication

To my Grandchildren
Zachary, Evan, Reagan and Dylan

May they live long and prosper

Epigraph

If You Change Your Mind, You Can Change Your Life

"Whether You Think You Can, or Think You Can't
YOU'RE RIGHT------"

Henry Ford

ABOUT THE AUTHOR

Richard Everett started his career in the financial services industry in 1984. He is the founder and past president of the Everett Financial Group, Inc. in North Haven, Connecticut. Prior to selling his investment firm in 2008, he held the designation of Registered Financial Consultant and Registered Representative.

Richard was a member of the *International Association of Financial Planners* and was named Financial Planner of the Year in 1996 by *First Financial Planners*.

In addition to teaching hundreds of seminars, he has hosted his own radio and television shows and authored several books on finance, including: *Whatever Happened to the Promised Land?* And, *How to be a Great Investor.*

Richard Everett is a national and internationally known speaker. He has taught financial principles in churches, conferences, colleges and universities. He was a featured speaker at the *Yale University School of Management Believers in Business* Conference.

Richard has served on several boards of directors, including Teen Challenge and Africa New Life Ministries.

Richard and his wife, Mary Sue, attend Living Waters Community Church in Estero, Florida. They have two amazing children and four awesome grandchildren.

Mr. Everett travels the country speaking on financial planning and investing techniques.

For questions or comments on this book or to schedule a speaking engagement, call 203-506-9708 or email info@greatinvestor.org.

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INTRODUCTION

My story and why it's important for you to know it.

Way back in 1984, when Dinosaurs still roamed the Earth, I experienced the lowest days of my life. My wife asked me what we were going to feed our two young children that evening. No food, no money, no job and a quarter million dollars in debt. (equivalent to a million dollars, today). We had come to the end of our collective rope. There just seemed to be no hope.

As a husband, father and provider I felt like a complete failure. To say the future looked bleak would be a gross understatement. I think you get the picture?

Earlier that year, I was forced to close my business and lay-off 30 terrific people. As a young and stupid businessman I made more than my fair share of mistakes. When we hit a severe recession I was not prepared. I found myself with no money put aside for contingencies, too much leverage (debt) and not enough knowhow to navigate through tough economic times. I was commanding a rudderless ship with no compass.

When it was all said and done, I was broke and unemployed. There were bill collectors breathing down my neck on a daily basis. To put it into today's vernacular—life sucked. The financial pressures I had to cope with were overwhelming. It was indeed a desperate time for the Everett family.

In addition to working two jobs, I decided to learn everything there is to know about money; as soon as possible. After all, it was my lack of understanding about how money works and how to use it properly that got me into financial trouble in the first place.

I figured there were plenty of people on the planet that were better off financially than I was. The implication was obvious, these folks knew a lot more about finances than I did. I started off by reading the Bible. As it turns out the Bible has a lot to say on the subject and boy did I ever have a lot to learn. I also found out that God is a lot smarter than I am! DUH.

After I finished reading the Bible, cover to cover, I got my hands on several books written by various money managers. They helped me put a budget together, plan properly and most importantly, get out of debt.

Next, I moved on to books written by successful investment professionals. Over the past 35 years I've read hundreds; if not thousands, of books on investing and finance. It made more sense to me to become a voracious reader rather than to stay broke. As Ben Franklin so wisely said, "An investment in knowledge pays the best interest."

I can honestly say, I've learned an enormous amount over the past three and half decades. Enough to earn a great living, live comfortably, pay my bills on time and enjoy life. It didn't hurt to start a career in the investment world back in 1984 either. I eventually become one of the top financial planners in America, Thanks to a lot of hard work, laser focus and stubborn determination.

The principles I'm about to share with you in this book worked for me and my family. They can work for you as well. If your desire is to get your financial house in order and to have peace of mind that comes with financial independence—you're reading the right book.

Ironically, I started writing this book on the 4th of July. As a great country celebrates its independence my hope for you is that you can declare your own financial independence once you implement the essential truths you're about to read.

Best Wishes,
R. Richard Everett

If you were born poor, it's not your fault. But if you die poor it is.

Bill Gates

How 'Average American' are you?

Let's find out.
The Average American household's gross income is close to $75,000[1] per year.
How much do you make?

The Average American's expenditure total is close to $68,000[2] per year
How much are your expenditures?

The Average American's discretionary income is $6,863[3] per year (income minus expenditures)
What is your discretionary income?

WOW! I want you to think about that for a minute or two.

The Average American works their tails off for 50 weeks out of the year, somewhere around 2,000 to 2,500 hours and all they have to show for working over 120,000 minutes is $6,863.

That's just plain depressing. But it gets even worse. Consider the following:

Nearly half of us adults don't have enough saved to cover a $400 emergency. According to a recent retirement savings survey, about 42 percent of Americans will retire broke. Frightening, don't you think? How can this happen in this great land of ours? Is it due to our lack of knowledge, our lack of planning or because of laziness, or procrastination? I think the answer is yes on all counts. All of these are contributing factors towards our natural financial crisis. The good news, however, is if we can change our mind we can change our lives.

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[1] According to the Bureau of Labor Statistics.
[2] According to the Bureau of Labor Statistics.
[3] According to the Bureau of Labor Statistics.

Rich people and poor people are exactly the same,
except in one respect – rich people think Rich.
Herb Kay

So, are you average, above average or below average?

The average American is average because of thinking average thoughts and doing average things. If you want to be above average, become debt free, retire comfortably and get your financial house in order, you'll need to do what above average people do. Success leaves clues. Successful people do extraordinary things, things average people aren't willing to do, like learning how money works and planning properly. The world is full of 'average people', isn't it time to start your journey toward financial freedom and becoming above average? Being average, ordinary and normal is highly overrated. It's time to get off your keister and declare war on financial bondage – it's time to become financially independent.

Did you know?
"Average is the middle. French word AVARIE, a derivative of an Arabic word meaning damaged merchandise.[4]*

Here are 3 principles that will drastically change your financial well-being.
Please, pay close attention.

Principle # 1

Money talks – so listen carefully

Money has been around for over 3000 years. It's something we all use to buy and sell goods and services from one another. One of the nice things about money is that it can be saved and used at a later date to fund college tuition, retirement or a home purchase. I think you'll agree; it comes in

[4] Source: Merriam-Webster Dictionary

pretty handy. Imagine trying to buy something without it. How many tomatoes would you have to trade with your neighbor to buy a chicken from him? Trying to save tomatoes for your retirement years isn't likely to work out very well. Prior to the use of money, bartering was the only way to trade for something you wanted or needed. It was a very awkward and inefficient way of doing business. In spite of currency being around for three millennia, very few people actually know how it works.

What do you mean? How can money work, it's only a piece of paper?

Allow me to show you. First and foremost understanding the "time-value of money" is critically important. The sooner you start and the longer you save the better off you'll be. An illustration or two will help drive home the point. Zachary, a 22-year-old, just-out-of-college young man had the foresight to start contributing to his[5] new employer's retirement plan. Zack started off by having $100 a month deducted from his paycheck and used to fund his 401K. Assuming a 9% average annual rate of return[6] our very smart recent grad will become very rich over time.

Take a look at how his money grows overtime.
At the end of 10 years his account had grown to $18,468.
At the end of 20 years his account had grown to $61,952.
At the end of 30 years his account had grown to $164,895.
At the end of 40 years his account had grown to $408,899.

At the end of 45 years, at age 67, he decides to retire.

His 401K grew to a whopping $635,863. Notice, over time, how his money grew exponentially in value. From year 20 to year 30 his account almost tripled, tack on another 10 years and his 401K more than doubled—by any measure, that's absolutely amazing! For saving just $3.33-a-day, $100 per month, Zachary accumulated over $600K.

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[5] This concept works for females as well!!
[6] The 50 year average return of S&P 500

Average people *spend* their time; above average people *invest* it. So get an early start, let time and money work for you – not against you.

Look what would have happened if Zack procrastinated. If he waited 10 years to start funding his retirement plan he would have had to save almost $250 per month to accumulate his $635,863 (150% more money invested for the same return).

Here's another powerful example of how the time-value of money works and how hard your money can work for you if you start sooner rather than later. "Early Bloomer Bob" starts investing 2,000 at a 12% hypothetical rate of return at age twenty- two, for six years, then stops investing. "Peter Procrastinator" spends 2,000 a year on himself for six years and then decides to invest 2,000 at 12%. Mr. Procrastinator must invest 2,000 a year for 35 years to catch up to Mr. Early Bloomer.

	Early Bloomer Bob		**Peter Procrastinator**	
Age	**Payment**	**Year End Accumulation**	**Payment**	**Year End Accumulation**
22	$2,000	$2,240	$0	$0
23	$2,000	$4,749	$0	$0
24	$2,000	$7,559	$0	$0
25	$2,000	$10,706	$0	$0
26	$2,000	$ 14,230	$0	$0
27	$2,000	$18,178	$0	$0
28	$0	$20,359	$2,000	$2,240
29	$0	$22,803	$2,000	$4,749
30	$0	$25,539	$2,000	$7,559
31	$0	$28,603	$2,000	$10,706
32	$0	$32,036	$2,000	$14,230
33	$0	$35,880	$2,000	$18,178
34	$0	$40,186	$2,000	$22,559
35	$0	$45,008	$2,000	$27,551
36	$0	$50,409	$2,000	$33,097
37	$0	$56,458	$2,000	$39,309
38	$0	$63,233	$2,000	$46,266
39	$0	$70,821	$2,000	$54,058

40	$0	$79,320	$2,000	$62,785
41	$0	$88,838	$2,000	$72,559
42	$0	$99,499	$2,000	$83,507
43	$0	$111,438	$2,000	$95,767
44	$0	$124,811	$2,000	$109,499
45	$0	$139,788	$2,000	$124,879
46	$0	$156,563	$2,000	$142,105
47	$0	$175,351	$2,000	$161,397
48	$0	$196,393	$2,000	$183,005
49	$0	$219,960	$2,000	$207,206
50	$0	$246,355	$2,000	$234,310
51	$0	$275,917	$2,000	$264,668
52	$0	$309,028	$2,000	$298,668
53	$0	$346,111	$2,000	$336,748
54	$0	$387,644	$2,000	$379,398
55	$0	$434,161	$2,000	$427,166
56	$0	$486,261	$2,000	$480,665
57	$0	$544,612	$2,000	$540,585
58	$0	$609,966	$2,000	$607,695
59	$0	$683,162	$2,000	$682,859
60	$0	$765,141	$2,000	$767,042
61	$0	$865,958	$2,000	$861,327
62	$0	$959,793	$2,000	$966,926

I truly hope you grasp the significance of getting your money working for you by starting *early*.

Time, time, time is on my side,

yes it is…

the Rolling Stones

Principle # 2

Harness the magic of compound interest

Here's a simple definition of compound interest: *interest added to your principal investment on an annual basis plus previously accumulated interest.* It's truly magical. Trust me… it works!

Take a look at this:

Suppose you start an investment plan on January 1st with a single deposit of $1,000. With a hypothetical gain of 10% (or $100) you'll have an account balance of $1,100 at the end of the year. The next year you'll make 10% on $1,100, the next year 10% on $1210 and on and on it goes. Believe it or not your $1,000 single investment earned a total of $11,057 at the end of 25 years! You worked and earned the original $1K but your original thousand dollars earned $11,000 over time. Get the point? You can either work for money or money can work for you!

One final illustration to demonstrate the power of compounding.

The following chart[7] shows the growth of *a single $1,000 investment* at 3 different rates of return, 5%, 10% and 12% over 10, 20 30 and 40 years:

	10 years	20 years	30 years	40 years
At 5%	$16,280	$26,532	$43,220	$70,400
At 10%	$25,937	$67,275	$174,490	$452,592
At 12%	$31,384	$96,463	$299,600	$930,510

By earning a 12% hypothetical rate of return vs. 5% you don't end up with 7% more money you end up with $930,510, or over 1200% more! It pays to invest wisely. This is how money works! With time on your side and the magic of compound interest you can become financially independent.

Compound interest is the eighth wonder of the world.
He who understands it, earns it – He who doesn't --------*pays it.*
Albert Einstein

There's a great story about compounding that goes back 100 years. A wealthy merchant was

[7] For illustration purpose only

travelling home from a long business trip, when he was attacked by robbers. Nearly beaten to death, he was left for dead on the side of the road, fortunately for the traveler a stranger happened along and helped him get to a nearby hospital for proper medical care. Fortunately, the merchant was able to recover. The very grateful merchant offered his rescuer a choice of reward. He could choose a million dollars or a penny doubled each day for a month.

Which do you think is the best deal? 90% of people surveyed took the million dollars - which goes to show you 90% of Americans do not understand how money and compounding work.
See for yourself.

Watch what happens to this penny over thirty days!

Day1	$.01	**Day16**	$327.68
Day2	$.02	**Day17**	$655.36
Day3	$.04	**Day18**	$1.310.72
Day4	$.08	**Day19**	$2,621.44
Day5	$.16	**Day20**	$5,242.88
Day6	$.32	**Day21**	$10,485.76
Day7	$.64	**Day22**	$20,971.52
Day8	$1.28	**Day23**	$41, 943.04
Day9	$2.56	**Day24**	$83,886.08
Day10	$5.12	**Day25**	$167,772.16
Day11	$10.24	**Day26**	$335,544.32
Day12	$20.48	**Day27**	$671,088.64
Day13	$40.96	**Day28**	$1,342, l 77.28
Day14	$81.92	**Day29**	$2,684,354.56
Day15	$163.84	**Day30**	$5,368,709.12
		Day 31	$10,737,418.24

Principle # 3

Get out of debt

As Mr. Einstein, a relatively bright guy, is reported to have said, "Compound interest can work for you or against you. When you're in debt it's working against you."

Why is it we buy more house than we can afford, go on vacations thanks to Visa and MasterCard and buy "toys" (Jet skis, boats, snow mobiles etc.) that end up in the city dump in the next 5 to 10 years or less? The bumper sticker that reads, *He who dies with the most toys wins* is only half right. In all likelihood, he'll also die broke and leave a mountain of debt behind for his loved ones to handle.

Why is it we buy brand new cars that typically depreciate 20% as soon as we drive them off the lot? Consider this, the average new car price is around $36,000 which means we lose $7,200 in our first year of ownership. In other words, we can kiss almost 10% of our gross paycheck goodbye when we leave the dealership, or put another way, we work 6 – 8 weeks for absolutely nothing. I don't know about you, but that's not my favorite things to do. The "average American" will pay around $170K in mortgage interest over 30 years or basically work 3 plus years, just to pay finance charges on their homes. For those of you who have a black belt in shopping or live by the motto, *shop till you drop*, I have some really bad news for you. You'll probably pay at least $1,000 - $1,500 in credit card interest every year[8] and carry a balance of $5K – 10K which means you'll be able to pay your credit card balance off when you're about 150 years old.

Who created this madness? The banks, credit card and finance companies did. But it's not all their fault. We need to share the blame. If the average American learned to avoid the credit trap, he or she wouldn't be in this mess. Get this, Americans are the top 5% wage earners in the entire world, yet we can't manage to make ends meet. We trade our working hours, which represents a very large portion of our lives, for a paycheck which we go out and blow on interest payments, toys and other non-essential items. Isn't life worth more?

Where are we really investing our lives? Will we be tragic figures who invested our best time, energy and love into things that literally end up in the trash heap? Like it or not, our financial problems are an outward manifestation of inward problems. We lack the discipline, focus and determination to put our financial house in order. We lack the knowledge and understanding of how money works. We simply don't treat money with the respect it deserves. Isn't it time to turn things around, to eliminate financial stress, anxiety, worry, debt collection, late fees and wasting

[8] The national average

so much money? Isn’t it time for you to become an ‘above average’ American?

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