

“In my forty years as a businessman, I have met many people in different positions and capacities. Chris Nichols is one of the most distinguished leaders in many respects. His dedication to the task at hand is unsurpassed. He is trustworthy, sincere, and above all very reliable.”

- *George Bavelis, Chairman, President, and CEO of SterlingBancGroup*

“I can state without reservation that Chris Nichols is an outstanding individual and one of the most trustworthy and professional people I have had the pleasure of knowing.”

- *John Ioannou, Sr., President, Marina Foods, Inc.*

“In my thirty-five years in business, I have never met a more passionate and dedicated individual than Chris Nichols. He is one of the few people who will maintain your best interests above his own, and for that reason he has earned my complete trust.”

- *Bruce Hurley, Entrepreneur/Business Consultant*

“Chris does a fantastic job with his book. The covered topics were well done; it’s packed with vital financial information, yet an easy read for the layperson.”

- *Hillel Presser, Asset Protection Attorney*

“I find Chris to be very knowledgeable but more importantly to me, he is kind, sincere, and caring. Chris is a leader in every way.”

- *Vincent Hogan, President, Cineworks Digital Studios*

“Chris Nichols truly understands what is required to earn your trust. He has earned mine, in both the short- and long-term, through a high degree of integrity.”

- *John Simitzes, President, CMH Solutions, Inc.*

“Three words come to mind when thinking about Chris: HONESTY, INTELLIGENCE, and COMMUNICATION. I trust him implicitly. He is a great listener and terrific communicator. He is always ready to help when I need support or advice. He is a genuine person and I can always rely on him.”

- *Steve Berlin, COO, Aquarium Retail Holdings, Inc.*

“I have worked with many professionals over the last thirty years and Chris Nichols stands out for his dedication and commitment to getting the job done. His character and professionalism have made him a pleasure to deal with throughout the years.”

- *Andrew C. Johnston, Entrepreneur*

“I must say, Chris Nichols’ level of competency is beyond reproach. Chris has always been completely honest with me. He is extremely knowledgeable, and is always eager to share his knowledge with you.”

- *Barry Levi, President, Levi & Associates Insurance, Inc.*

“Good people have balance in their lives. Chris combines professional, sincere, and straightforward work ethics with a kind, empathetic, and caring demeanor.”

- *Mark C. Brunt, CPA, Brunt & Company, PA, CPAs*

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# About the Authors

**Chris Nichols** has been in the financial services industry for more than a decade. He has enjoyed a long tradition of providing clients with a high level of financial advice and trust. He specializes in the areas of investment management and retirement planning.

Chris is known for his expertise in assisting those nearing retirement and in their retirement years. He has written numerous publications designed to help people avoid making common mistakes with their everyday financial decisions. In addition, Chris has held hundreds of public and private investment planning workshops that are designed to inform and educate individuals about investing and retirement planning. He has also authored *Six Costly Life Insurance Mistakes and Some Simple Ways to Help You Avoid Them*, a booklet that discusses life insurance and helps inform readers about ways to potentially protect themselves and their families from making mistakes.

Chris holds the licenses FINRA Series 7 (General Securities Registered Representative), Series 6 (Limited Representative Investment Company Variable Contracts), NASAA Series 66 (Uniformed Combined State Law) and Series 63 (Uniform Securities Agent State Law). Chris also holds a Life, Health and Variable Annuities License.

Chris is an approved member of the National Ethics Bureau (NEB). The NEB has an extensive nationwide background check process designed specifically for financial professionals. The NEB recognizes individuals whose lives exhibit a strong commitment to ethical personal conduct in the financial advisory field.

A native of South Florida, Chris has a Bachelor of Arts degree in business administration with a minor in economics from the University of Florida. Chris is a founding member of the Hellenic Development Group, a non-profit organization focused on the development and growth of Hellenic business owners and professionals worldwide. In his spare time, Chris serves on the board of St. Demetrios Greek Orthodox Church in Fort Lauderdale. He enjoys exercising, reading, and watching sports events. He resides in Boca Raton, Florida with his wife and family.

***The Financial Forum of America*** is a non-profit organization made up of leading professionals from a variety of disciplines in the financial advisory field. Each has contributed from various disciplines, providing the platform from which *The Real Truth About Your Money* becomes an excellent reference tool.

**THE REAL TRUTH  
ABOUT  
YOUR MONEY**  
**SIMPLE ANSWERS TO SMART FINANCIAL QUESTIONS**

**CHRIS NICHOLS AND THE FINANCIAL FORUM**

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*I dedicate this book to my parents,  
George and Alexandra Nichols*

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# Introduction

When asked what they want to be when they grow up, many children answer that they want to be a doctor, a football player, or an astronaut. For some reason I never responded that way. Perhaps it was odd or out of the ordinary, but my response was “I want to be a businessman.” At an early age I was not even sure that I knew what a businessman did for a living, though I knew the job had something to do with money and finances. But, being a businessman was my childhood dream ever since I can remember. I was especially fascinated with how a person from a foreign country could come to the United States without even speaking the English language, and could become a financial success. I never understood how an immigrant, arriving in this great country, unable to put a sentence together in English, could eventually own several investment properties, businesses, and stocks and achieve success. That’s what is so great about this country. Opportunities are everywhere.

Our country though has recently gone through difficult economic times. The real estate boom in the early to mid-2000s proved that many Americans lived well beyond their means and forgot to save and budget. This generation resists saving for “a rainy day” and is more motivated to buy a flat screen television than prepare for its financial future. Countless retirement studies have shown that for years Americans had a negative savings rate, spending more than they earn. Recently the savings rate started to improve and let’s hope this trend continues.

One problem that caused a severe strain on the economy was the collapse of the financial system. Years ago the U.S. government strongly encouraged banks to lower their lending standards to encourage people to buy houses. Over the years, banks loaned billions to people, though many borrowers lacked employment and many more had horrible credit. Over time these loans were packaged and sold to Wall Street firms, resulting in excessive risk to their balance sheets. Eventually, the housing market depreciated and mortgages were higher than the value of the real estate, leaving too many “bad loans” on the balance sheets. Ultimately, the stock market collapsed after the severity of this problem was realized. Millions of people lost a total of trillions of dollars as this credit crisis affected us all. Greed caused this financial collapse. It motivated banks to lend excessively and investors to borrow too much, trying to profit from the real estate boom. Wall Street firms forgot some of the basic investing principals: diversification and risk management. Media sources, politicians, and consumers blamed anyone and everyone for these catastrophic problems. The reality: all parties involved were at fault.

No matter what the financial climate, you must understand your financial position and prepare your portfolio and finances to sustain both good and bad times. Sometimes when investors make money “hand over fist” for many years, they forget the principles and fundamentals of investing. We saw tremendous greed during the technology boom in the mid- to late 90s as investors rushed into “hot” stocks and the real estate market explosion as massage therapists, teachers, and doctors became real estate “experts.” One thing is certain, a collapse in another area of investing will happen again because people are people and greed is human nature. Greed will forever haunt us.

The financial collapse caused many investors to become more cautious and skeptical of Wall Street firms, the banking industry, and the investment industry as a whole. After losing their money in the stock market, many retirees considered returning to work to maintain their livelihoods. Most investors now want “straight talk” about their finances—they want to live with more peace of mind. But where do they turn for the facts? With all the media sources such as CNBC, the *Wall Street Journal* and thousands of Internet sites, it’s extremely difficult for

even an experienced investor to understand it all. Add the reality that investors may not know who to trust, and frankly I don't blame them for their confusion and skepticism.

Though the financial markets often seem too overwhelming to comprehend, there are some simple things every investor can do to grow and maintain wealth. These "simple things" were taught to me by my father. At a very young age he taught me many life-altering lessons, both through his words and his actions. Over the years he taught me that if you minimize your expenses and invest wisely, you can amass a small fortune. My father is a perfect example of "The Millionaire Next Door," though you would never know it.

My father came to this country from Greece in 1973. He was only thirty-three years old and barely spoke five words of English. Although he knew little about the United States or our spoken language, this didn't discourage him. Soon after he arrived, he started as a bag boy at a local supermarket and ended up getting promoted to stock clerk within a few months. The managers saw his remarkable work ethic. For years he worked the "midnight shift" to make ends meet and provide for our family. His daily schedule was to go to the supermarket at 2:00 a.m. to unload the delivery truck, and then stock the shelves. He would return home around noon, have lunch, perhaps take a brief nap, and then run off to do handy work as a second job. Whatever you needed fixed, he could fix it. He worked until 8:00 or 9:00 p.m. day after day, six, seven days a week.

I grew up thinking my dad was invincible. He worked so hard to provide for our family. He was, and still is, the hardest working man I have ever known. His tremendous work ethic taught me many valuable financial lessons. When I was eleven, he wanted to teach me the value of money. He invited me to work with him at the supermarket on the weekends and he would pay me to help him stock the shelves. He paid me ten cents an hour. At the time, it seemed like a great deal.

After all, I had never had a job before nor did I have money, so I jumped at this "tremendous" opportunity. By way of comparison, the minimum wage then was \$1.60 an hour. I didn't know this, but nevertheless took the job. I guess my dad thought that he would offer me this deal so I would not bother him about buying me a new bike. More importantly,

he wanted me to start learning about earning money. You see at the time I wanted a “quick fix” to buying my new bike. I figured I would work a few hours over two weekends and I would have enough saved for a “down payment.” I hoped my dad would pay the balance. Little did I know that at ten cents an hour I would have to work two years to buy my bike! So after doing the math, I did what any sensible eleven-year-old would do: I quit! I lasted two weekends. I hated it and complained that I would rather play basketball with my friends.

My next “job” came a few years later. My father often asked me to help him with his handyman jobs. Sometimes I helped him take down wallpaper when he was hired to refurbish a bathroom. Occasionally I helped him cut lawns, but most times I would just sit and watch him work. I never understood why he asked me for “help.” I would ask, “Dad, why am I here? My friends are playing and having fun and I’m watching you work!” You see, most times he really didn’t need my help, the task was one that he could handle by himself. He would always answer my question the same way in his heavy Greek accent. “Son, I want you to see what it’s like to sweat. I want you to see what I do to earn a living so that one day you will realize that you need to get an education so you don’t do this.” I will never forget his words because they helped me become who I am today.

Now, decades later, I look back with gratitude for these valuable lessons. We never had much money growing up and lived in a very modest home in North Miami Beach, Florida. But my father consistently saved a penny here and a dollar there, while accumulating stocks and real estate investments over the years. I remember vividly when he was on our living room couch with a huge smile on his face. As I walked by he said, “Son, today is a great day.” I wasn’t sure what he was talking about but he continued, “Our stock just split two for one.” At eleven-years-old, I had no idea what a stock split was, nor did I really care. Now I look back and understand that this was mighty important to my father. I am certain that he was proud of his accomplishments as a new American far from his village of Tripotama, Greece. My parents always provided whatever it was I needed and wanted, within reason. They taught me the value of working hard and that through consistent savings, budgeting, and investing, almost anyone can have a comfortable life.

While I was a teenager, I participated in many speaking competitions and did quite well. My parents encouraged me to participate in these competitions because they felt they would help me gain self-confidence and support my future success. As you might imagine, I really didn't want to participate in these competitions. Like most teenagers, I wanted to hang out with friends, watch TV, or play sports. The last thing I wanted to do was write an essay and speak about it, especially before hundreds of people. Looking back at those years, I continue to thank my parents for their persistence and dedication to me. I love and respect them tremendously for that. Now, I am comfortable speaking to wealthy investors at financial seminars and can confidently guide them on strategies that help them grow and preserve their wealth.

Being a trusted advisor in the financial planning industry comes with a tremendous amount of responsibility. Because of corporate mistrust, a multitude of Ponzi schemes, and abuse in the financial system, many investors don't know where to turn or who to trust anymore. Unbelievably, even a CEO interviewed on CNBC told the public "everything is okay." The next week reports came out that the company was having serious financial troubles. To that end, I am humbled and grateful my clients trust me with their financial livelihood and I take great pride in what I do. I primarily assist affluent individuals grow and preserve their wealth. I find out what is important to them and I put together a plan to help them accomplish their goals. Let's face it, if most investors were knowledgeable and felt confident enough to pick a good stock, mutual fund, annuity, or life insurance product on their own, they would not need an investment advisor. If the stock market always went up, would there be investment advisors talking about diversification? Probably not. Therefore, because most people aren't experts in this field, there is tremendous value in working with a competent advisor.

Whether it is helping my clients to potentially reduce the volatility in their investment portfolios, or recommending an investment strategy that could potentially increase income, my goal with all my clients is to provide them with peace of mind.

## INDEPENDENT ADVICE

I believe that it is important when you are working with a financial professional that you choose one who is with an independent investment firm. This is crucial because independent firms don't have their own financial products to sell. This will allow the advisor to have a more unbiased opinion on investment recommendations.

Independent firms offer a full array of financial products from hundreds of companies. In comparison, a "captive" or non-independent firm typically has its own investment products to sell and therefore a limited amount of investments from which to recommend. Some may be inferior investments and as a result your portfolio may suffer.

Let me give you an example of one of the differences between an independent financial firm and a non-independent (captive) firm. Let's say your favorite sport is tennis. There is an upcoming tournament at your country club, so you decide to buy a new tennis racket to improve your game. You have two options. Go to Store A (the non-independent, captive firm) that carries three brands of tennis rackets. These rackets may or may not be ideal for your tennis game but that's all Store A has. After Store A, you drive to Store B (the independent firm) located a few miles down the road just to see what they have to sell. Store B is one of the more popular stores, visited by only the top tennis players in your club. You learn that Store B not only has similar racket choices as Store A, but many other choices as well. These additional rackets (not available in Store A) could potentially enhance your tennis game and give you a better chance of winning. Which store would you choose?

Of course you would choose Store B (an independent firm), simply because it offers you a wider variety of rackets that could potentially improve your tennis game. This is why it is critically important that you work with a financial professional associated with an independent firm.

## MY INVESTMENT PHILOSOPHY

My own investment philosophy is simple. I believe in risk management, goal setting, and long-term consistent investment returns. Most of my clients are nearing retirement or are in retirement, so they are not interested in generating huge returns which typically carry more risk. My clients are usually conservative and their portfolios mirror this risk objective. On occasion, I meet investors who want to be aggressive and trade stocks daily. After a brief conversation with these aggressive investors, they realize that I am not this type of investment advisor. My investment philosophy is relatively conservative. Therefore, I am not for everyone.

I always remind my clients that even if we doubled their investment portfolio and their portfolio hypothetically grew from say \$2,000,000 to \$4,000,000 over a period of time, that new, larger portfolio wouldn't change their lifestyle. They would most likely drive the same car and live in the same house. So why would an investor, especially in retirement, take on unnecessary investment risk? Generally speaking, they shouldn't. I believe very strongly in asset allocation and diversification, with preservation of principal as a primary goal.

At my financial seminars, I speak to groups of affluent investors on the topic of diversification because it is crucial to long-term success in investing. In these seminars, I educate investors on how to lower risk, increase income, avoid common financial mistakes, and reduce taxes on IRA withdrawals, among other things.

One point that always hits home with investors in my seminar audiences is the same point that most investors and financial advisors ignore. That's scary. A Brinson, Hood

The hypothetical case study results are for illustrative purposes only and should not be deemed a representation of past or future results. This example does not represent any specific product, nor does it reflect sales charges or other expenses that may be required for some investments. No representation is made as to the accuracy of the analysis.

Using diversification/asset allocation as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss in declining markets.

This discussion is not meant to provide legal or tax advice. Any decisions whether to implement these ideas should be made by the client in consultation with professional financial, tax and legal counsel.

Using diversification/asset allocation as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss in declining markets.

& Beehower study has shown that more than 90 percent of a portfolio's positive return is due to how your investments are diversified. In

other words, you have a very high probability of experiencing positive investment performance simply by investing in a mix of assets like stocks, bonds, real estate, and cash, among other assets. Of course this mix will depend upon your risk tolerance and time horizon.

This same study also shows that only 1.7 percent of a portfolio's performance is due to market timing and 2.5 percent is security selection. So a market timer is the type of investor who says, "I'm going to wait for the election" or "I'm going to wait until the economy gets better." These investors are usually too late when they get into the stock market, or most other investments for that matter.

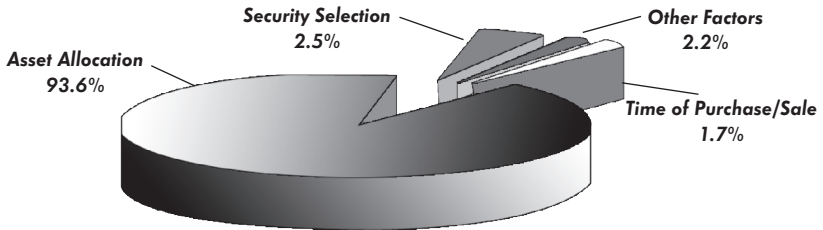
Let me give you an example. Let's say you are in a Las Vegas casino and you decide to play blackjack. You notice that there are three blackjack tables each identified by a different sign. Table A has a sign that reads "Diversification: 93.6 percent chance of winning." Table B has a sign that reads "Market Timing: 1.7 percent chance of winning," and Table C has a sign that reads "Security Selection: 2.5 percent chance of winning." Which of these tables do you think most investors choose?

If you guessed B and C, you are right. Most investors try to time the market and pick the "right" stock. Studies show they fail an overwhelming majority of the time. When I explain this to my seminar audiences, they often confess they are guilty of this too. It is an all too common mistake that I see when meeting with clients for the very first time.

During the initial consultation with new clients I discover their goals, interests, and concerns. I ask questions like: When do you want to retire? What is your risk tolerance? Are you comfortable with the stock market's volatility? If you are in retirement, how long do you think your money will last? Do you want to spend your estate down or maximize your children's inheritance? Once I have considered this critical information and data, I analyze the portfolio and overall financial situation. This analysis shows the investments in which an investor is doing well and in which areas he or she can potentially improve. I will then make specific recommendations which will ultimately help them accomplish their

goals. I charge an hourly investment planning fee or a flat percentage fee based on the amount of money invested.

Studies have shown that 93.6 percent of an investment portfolio's performance is attributed to asset allocation rather than the selection of the "right" stock or bond.



Source: Brinson, Hood and Beehower 1986  
 Brinson, Singer and Beehower 1991  
 2000 Association for Investment Management and Research  
 Roger G. Ibbotson and Paul D. Kaplan

## MR. AND MRS. JONES

Mr. and Mrs. Jones are clients who met with me after attending one of my financial seminars many years ago. Mr. Jones and his wife are in their mid-60s and both have enjoyed financial success throughout their lives. They are retired business owners who achieved great success in the booming stock market of the mid- to late '90s but they were concerned because they experienced tremendous losses during the market downturn in the early 2000s. You can probably remember back in the mid- to late '90s when most technology stocks were roaring, and for a period of about five years almost anyone could pick a winner! How could you forget? In fact, I specifically remember a time when there was a monkey on CNBC picking stock winners! It was a time in history termed "Irrational Exuberance" by our former Federal Reserve Chairman, Alan Greenspan. Looking back, Mr. Greenspan's point was well taken.

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When Mr. and Mrs. Jones sat down with me for the first time following my seminar, I learned about their backgrounds, their three children and two grandchildren, and of course their financial goals. I also learned that they were terrific savers and had accumulated a net worth of nearly \$4,000,000. They were most concerned that their portfolio was too risky and they were very clear with me that they didn't want to experience significant losses again if the stock market had another big downturn. They were astute enough to know that every investment had its cycles and history showed that the stock market would turn south again, it was only a matter of time. They felt their current advisor was not being proactive in managing their investments and that he had not rebalanced their portfolio investments for many years.

I always ask clients at the beginning of our relationship how comfortable they are with volatility. I asked the Jones' one of the most important questions any investment advisor could ask: What is your risk tolerance? I was certain it had changed now that they were in retirement. The young have a longer time horizon and can accept more investment risk. Older people want lower risk, because if they lose money in an investment, they may not have the time to recover. Like most retirees, Mr. and Mrs. Jones wanted a low risk and low volatility portfolio.

After reviewing their investment accounts of stocks, mutual funds, and annuities, I realized that their portfolio had some problems. It wasn't positioned for a downturn in the financial markets. It was not diversified enough. The first problem was that they were too over-invested in technology stocks, hence their tremendous success in the mid- to late '90s during the "dot-com" boom. I am not saying that technology stocks are bad. They may certainly have a place in a portfolio. But technology comprised nearly 60 percent of their portfolio. The problem of course, was that these same stocks experienced huge losses in the early 2000s with the "dot-com" bust. I explained to the Jones' that they owned too many technology stocks and that this was one reason they had lost so much of their wealth during this stock market downturn. Their immediate response was, "Well, everyone lost money." This was not necessarily true! I explained that many investors who owned bonds, real estate, and precious metals experienced gains in that same period. I further explained that those investors who were diversified (do you remember Table A in

the Las Vegas casino?) experienced significantly less loss simply because they were diversified. This sounds simple, but from my experience many investors do not follow this rule.

The Jones' heard me loud and clear. After further reviewing their investments, I noticed that they had almost no bonds in their portfolio. Typically, bonds are owned in a portfolio for income and to hedge against market volatility. Including them in their investment accounts would reduce the overall risk and potentially reduce their losses. They were comfortable with my advice. The Jones' ultimately hired me as their advisor and asked me to manage their investments. I rebalanced their portfolio to include far more diversification so that it could better handle another market downturn and be better positioned for long-term investment success. I meet with them regularly to review their financial situation, and they confessed they have more peace of mind and feel they live a comfortable retirement because of the positive changes made to their portfolio. Knowing that I helped them is indeed gratifying.

## **WHY I WROTE THIS BOOK**

One of the biggest problems besides not knowing who to trust, is that many Americans lack financial education. Our educational system is flawed in that we do not put enough emphasis on financial literacy. We do not teach our children about the value of savings and investing so that they may have a better chance at having a comfortable retirement. Is there any wonder why the major cause of divorce in this country is stress about money? The unfortunate reality is that the average American has thousands of dollars in credit card debt. Additionally, millions of Americans are nearing retirement age. Many of these people have seen half their retirement savings wash away as a result of the economic downturn and stock market turmoil. Other retirees are concerned that their pension income will vanish as their former employers consider filing for bankruptcy.

So, after many lessons from my father as well as years of educating myself about financial management, I decided to share some of what I

have learned about money and investing, so that you too can learn the truth about your money.

Unfortunately, many people get their financial advice from the mass media, their neighbor, or a golf buddy. Many investors are scared, confused and don't know where to turn for straight-forward truthful answers to their financial questions. So use this book as a tool to help you navigate through the often-challenging world of finance and investing. It is what I would call a "back to basics" guide. I use the phrase "back to basics" because there are simple things that you can do to live a more comfortable financial life, regardless of whether you consider yourself wealthy, or are only starting out.

One of the biggest fallacies that I have heard in my years in the financial world is that the wealthy have their financial plans in order. One would think that the wealthy investor must have the best attorney, accountant, investment advisor, and insurance agent in town and that everything from their legal documents to their investments are in order. From my experience, nothing could be further from the truth.

I met a gentleman named John, in the late '90s while attending a New Year's Eve party. A very successful criminal defense attorney, he had a net worth north of \$10,000,000. During our conversation, I told him about an investment plan that I was developing for a retired couple and told him that I was surprised that this couple did not have their financial basics yet. I said, "John, they don't have any estate planning documents so I recommended an estate planning attorney who will do an A-B trust for them." John's facial expression became the perfect model for the "deer in the headlights." John humbly responded, "What's an A-B trust? I don't have anything like that."

I learned a valuable lesson that day because I had made two assumptions. And I was dead wrong about both. First, I thought that because of John's legal background he would know what an A-B Trust was, but being a criminal defense attorney did not mean he knew about estate planning. Secondly, I assumed since John was successful, he would already have his financial affairs in order. Wow, was I wrong! As with

most business or professional people, John was busy with his day-to-day consulting with clients and attending court hearings. He simply did not take the time to fully review his financial picture. My passion is to help retirees like the Jones' and professionals like John. I believe reading this book will help you get back to some of the basics and guide you to a better understanding of the real truth about your money. Enjoy it!

