The Independence Day
Blueprint

By
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The Financial Independence Day Blueprint

Introduction - Read me first

Why you really need the Financial Independence Blueprint

Money is stored effort. It's what you get for your time and sweat and ingenuity and courage.

Here's the sad, but true fact of life about money advisors: 94.9% of all financial advice in the world comes from the financial industry and the "consensus professionals" they employ.

Some are smart, savvy, well informed, and insightful. Many are not. Most are well dressed, polite folks who are skilled at projecting the party line (which is whatever the front office is pushing at the moment) with confidence and authority.

I called them "consensus professionals" (a phrase I coined in 2007) because they view their job as pushing the general consensus - no matter what the consensus is. If the consensus says that everyone should put their money into a diversified portfolio of green M & M candies, beanie babies, and balls of saved string, they will tell their clients that that's what they need to have a secure retirement.

The most dangerous people on earth when it comes to your money

"Consensus professionals" are not deep thinkers, but they are practical.

They know if they attach themselves to a firm with a "good name", they won't have to do any independent thinking of their own. If the advice they're programmed to dispense is right they will be hailed as heroes and geniuses. If the advice is wrong, they feel blameless because everyone else was pushing green M & M candies, beanie babies, and balls of saved string.

If everyone jumped off a bridge, does that make it right for you to advise your clients to jump off a bridge too? To the consensus professional the answer to that question is an unblinking "yes."

That in a thumbnail is the quality of financial advice available to the average person (even the above average person with a few million in the bank.) If this sounds scary, good. It should be. It's a scary situation and the 101 new cable TV shows about money that have sprung up in the last few years aren't making things any better.

Other sources of bright financial ideas

If the financial industry is responsible for 94.9% of the financial advice in the buzz-o-sphere, where does the rest of it come from?

0.1% comes from your Uncle Morty who everyone knows is an idiot, so you can discount it right off the bat. The other 5% comes from infomercials, TV commercials and financial newsletters.

If you actually know a given industry from the inside - real estate, stock and futures trading, Internet marketing - then you already know that the courses offered on late night TV are total crap. If you don't, let me fill you in: they're total crap. Total dangerous crap which we'll now refer to as TDC for the sake of brevity.

So are the TV spots pushing you to buy gold or silver or soybeans or whatever the financial fad of the moment is. TDC.

Even if it actually is time to buy pork bellies or palladium, the absurd mark ups these firms charge are practically guaranteed to make you come out a loser.

The First Amendment, God bless it, protects these guys until they cross the line or blow themselves up. Two things most of them do eventually. In the meantime a Madoff or two worth of investor money (one Madoff equals $50 billion) goes down the drain every year thanks to the industriousness of these folks.

What about financial newsletters?

Here's one shining ray of virtue. Not all newsletters are created equal - some are worse than the worst late night infomercial - but some are impressively good.

The good ones are published by smart people who love the financial markets and would not allow themselves to be turned into "consensus reality" pushing robots. So they hang out a shingle, put their opinions on the line, and earn themselves an audience with a combination of hustle, smart promotion and giving pretty good advice.

If it sounds like I'm highly opinionated...

It's because I am, but there is real life experience behind my opinions, experience not many people can duplicate.

First, I've actually made money and hung onto it through all kinds of personal and macro-economic ups and down.

Second, I've seen and helped hundreds of people make money over the years and I've seen what a lot of them have done with it. Lots of rags to riches stories and some rags to riches to rags stories too.

Third, I've been inside the belly of the beast. Deep inside.

In the late 80s, I worked for what was at the time one of the most respected investment banks in the world.

I also worked on the trading desk of what was then the biggest foreign currency trader in the United States. It was an environment where a million dollars was called a buck and anyone with an active position of less than $50 million was considered a wimp - and this was over twenty years ago when $1 million was a lot of money.

I never got an MBA, but I definitely have more than an MBA worth of real world understanding of how the investment world works.

From Wall Street to Silicon Valley

After leaving Wall Street, I moved to California where I hit the digital media business just at the right time. 1992 in the multimedia industry, then 1994 in the Internet industry. My timing was admittedly lucky, but not entirely. I went to California with the intention of getting into the digital media industry. The Internet came along as a surprise bonus.

Many of you know the story so I won't bore you with all the details, but I was so in on the ground floor that I have friends and colleagues who were founding executives and very early advisors to Netscape, Amazon, Yahoo and Hotwired. Guys who started with these companies when they were eight employees or less. I saw many rags to Armani stories. I saw some fall down the back side of the mountain and I saw others take their lucky break and grow it exponentially. It was quite a learning experience.

In 1998, I pulled the plug on my own dotcom involvements getting out at the top and missing the crash entirely. I starting putting my stash in gold and encouraged others to do so - in writing - in 1999. Check the charts. It was a near perfect trade. In fact, financial newsletter titan Bill Bonner calls it the "trade of the century." Not my trade in particular, but anyone who happened to have made it. I don't know many who did.

A little later when the media was declaring from the smoldering crater of the first dotcom bust that the Internet was "over," I encouraged people to jump back in with both feet - again in writing.

Nailing the Internet

I've been active in Internet marketing education on an again/off again basis since 1994, mostly on again since 2001. During that time, I've offered advice to customers on what I perceived as Big Trends that should not be ignored.

On the Internet side, I advised people to take pay-per-click seriously in 2001. I also advised people to take Internet video seriously in 2005. And while we're at it, I advised people to take "billboard ads" (now known as banner ads) seriously back in 1994.

On the downside, it took me a while to catch on to the power of blogging - and I still don't get Twitter.

Calling the Crash

In addition to Internet marketing advice, I've occasionally sent my customers analyses of general economic trends.

My feeling is that since I've helped so many of my students make money - sometimes very substantial money - I'd be negligent if I didn't give them occasional pointers on how to keep it. (Making it and keeping it are two very different things.)

In 2005, I put in writing a warning that there was something very strange going on in the credit markets and that everyone in business should start planning for a world in which there was radically reduced credit availability.

This was a very unorthodox call in 2005.

In 2007, I explained - again in writing - that the real estate party was finally over, that a long downward spiral was commencing and why it was happening.

In 2008, I started flashing warning signals about the general state of the financial system and in August of 2008 I did something I've never done before. I flat out told my people - again in writing - to get the hell out of the stock market unless as I put it "you have a really good reason to be in it."

Why I took the time to create the Financial Independence Blueprint

I guess everybody likes the chance to brag from time to time, but that's not what this Blueprint is about.

While I'm proud of my record and I think it indicates something about the quality of my analysis, I'm the first person to admit that this run of perfect calls could very well be the result of dumb luck. I'm also the first person to appreciate the fact that my next twenty calls could be completely and disastrously wrong.

But that doesn’t matter, because I'm not making public market calls any more.

I'm doing the smart thing and quitting while I'm ahead, but before I do, I thought it would be worthwhile to share HOW I think about money and markets and wealth building.

A huge motivation for writing the Independence Day Blueprint has been the experience of watching so many friends, family and customers get financially massacred in the past year (longer if you include the Dotcom crash.)

I warned many.

Some listened and millions of dollars (that I know of) were saved in the process. Many didn't listen, possibly because I didn't have the time to explain all the details of my thought process personally to everyone who asked the reasons behind my calls.

The Independence Day Blueprint is my attempt to remedy this.

In the Blueprint, I'm going to reveal my approach to building, keeping and growing wealth, by sharing every attitude, every trick and every strategy I know.

As far as I'm consciously aware of, I've left nothing out. If I considered it important, I put it in.

It's my financial brain on a silver platter.

Do with it what you will, but operate it with caution. I don't know everything and I'm far from infallible, but I've seen more than the average person and I've thought more about these issues than most.

My main goal is to show you the value of thinking independently about money and how to do it. If I accomplish this, then I've given you the keys to the treasury.

Good luck!

Ken McCarthy

The real secret to financial independence

Part One – The Basics

Lots of people buy "how to" courses because they hope they will show them the way to get "rich" or become "financially independent."

I've bought lots of books and courses over the years that promise these things too.

Now that I've actually gotten there myself, I realize how misguided, misleading, and just plain bad much of this advice out there is.

I think of all the time and money and energy I wasted. I also think about all the people who are trying to get there who I know are being sent down blind alleys and even the wrong way down one way streets.

Real estate is supposed to make you rich...stock trading is supposed to make you rich...Internet marketing is supposed to make you rich...positive thinking is supposed to make you rich...and on and on the list goes.

Do you sincerely want to be rich?

I'm asking this question in all seriousness because in my experience a big part of the population would rather talk about becoming rich, dream about it, or moan and groan about it than actually learn what to do and do it.

So I'll ask you again, do you sincerely want to be rich?

Don't answer too fast.

You may have already turned down one or more opportunities already - and I'm not talking about "opportunities in a box" but real life opportunities.

I can point to dozens of people who have and I'm sure there are many, many thousands of others.

People who say "yes" to wealth

As anybody who knows me knows, I'm pretty skilled at marketing. I've been the spark behind so many success stories in so many different fields over the years that it would take a book to cover them all (and we're working on that book right now.)

If you know me, you also know I'm pretty generous with advice in casual, social settings. If someone's a friend, a relative, a neighbor or even just someone I've randomly met, if I have the time, I'm more than happy to give them what I call a "lightening strike" consultation.

I listen, I ask questions and them BAM! I give them what they need to make a whole lot more money - fast.

I usually do this so quickly barely five or ten minutes elapses from start to finish. Yet the ideas can be and often have been worth hundreds of thousands of dollars to the people who act on them.

For example, recently I gifted a "lightening strike" to a filmmaker who markets health videos (I believe in what he's doing). My idea effortlessly added thousands of dollars to his monthly sales. He used a second idea I shared with him to double the size of his mailing list from 20,000 to 40,000 in just two months. I'm sure he'll get to 100,000 or more.

He's an example of someone who is ready to be rich.

People who turn wealth down

For every person like my friend the filmmaker, there are dozens of people who ask for my advice, nod, take lots of notes - and do nothing. Or they make a point to tell me how hard it will be to do what I suggest.

I also marvel at all the people who've worked for me over the years who were so focused on punching the clock and minimizing their effort that they didn't realize they were standing on a gold mine. I would have gladly shared anything I knew with them - if they'd only taken their heads out of you-know-where and asked.

If you ask them, every one of these people will tell you that they want to be rich.

These folks have a good excuse for not being so.

No one ever sat down and explained what it takes to become rich.

After you've read the Blueprint, you won't have the excuse they enjoy. For the first time in your life perhaps, you'll KNOW.

Are you ready to give up your innocence? Because once you've gotten to the end of the Blueprint, there will be no turning back.

If you're brave read on. If not, turn back before it's too late because we're going to start right now.

Let's define our terms

Everyone talks about getting "rich" and becoming "financially independent" but hardly anyone ever defines what it means.

I can hear some people saying "I already know what 'rich' means. Let's get to the good part!"

Not so fast.

If you're not precise about your destination, the odds of getting there are very low, so let's put some detail in our definition.

Rich illusions

Before we can talk about what being "rich" is, we have to blow away some nonsense and talk about what being rich isn't.

I find a lot of people are carrying around comic book-style illusions about what it means to be rich. These illusions not only don't help, but also can and do hurt a lot.

Illusion #1: "Rich means I can buy anything you want."

That's a good definition - if you're six years old.

Many one-time millionaires (and even some billionaires) have discovered that no, you can't have everything you want. Some of the things you want will cost you your fortune, your health, your sanity or your freedom. Or all four. Even after you get "rich" you'll always have to buy wisely.

Illusion #2: "Rich means I can do anything I want."

Another six year old fantasy that always ends badly for the adults who act on it.

More than one "rich" person has spent years in jail having that lesson drilled home. No one is so smart or so rich that they can fight the law and win when the law wants to win. And if the law doesn't catch up with them, there are lots of other "laws" that will eventually.

Illusion #3: "Rich means everyone will love and admire me."

This one isn't true either. Gold diggers and wannabes will pay more attention to you, that's true, but even they can't hide their true feelings for long. Believe it or not, the overwhelming percentage of the world's people won't include your net worth when forming their real reaction to you as a person.

Having a pile of cash buys services and attention, not genuine love and admiration. *That you still have to earn the old fashioned way*.

The girl you had a big crush on in high school who wouldn't give you the time of day still won't give you the time of day, unless she's become a gold digger in which case you still lose. So, get over it already.

What *is* "rich?"

There are two kinds of rich; rich in contentment and rich in cash.

Ideally, you'll have both but frankly if you have to choose one, go with contentment.

There is nothing more pathetic than a miserable millionaire.

But the Blueprint is about becoming “rich” in cash.

One warning: make sure you understand the difference between "rich in contentment" and "rich in cash" because cash alone is definitely not enough for contentment.

Now that you know what being rich can't do for you - you can't have everything you want, do anything you want, command love and admiration, and attain peace of mind - *what can riches do for you?*

Riches can help you fulfill your potential and the potential of those you love and riches can help shield you and your loved ones from some of the annoyances, dangers and inconveniences of the world.

Most of all, riches can buy you your freedom. Freedom from going to a job you hate or running a business that you'd just as soon be done with.

These may or may not seem like big things to you, but these are exactly what riches can buy. No more and no less.

It's not winning the lottery

Winning the lottery is unlikely, but that doesn't stop hundreds of millions of people from hoping.

The appeal of winning the lottery is the money just comes PLUNK! in one big package and you're done.

I have to admit it's an appealing thought (not appealing enough that I waste money on lottery tickets though.)

In reality, becoming rich happens in stages.

If you know what these stages are, you'll always know where you are, what you need to do, and where you're headed.

Has anyone ever shared with you what these stages are?

I can pretty safely bet they haven't.

Instead they've recommended that you "buy this course" or "sign up for this coaching program" or "make this investment" but rarely if ever does anyone lay out the whole process for you.

The process matters and it matters a lot.

It's like a chemical reaction.

Like any chemical process, you have to get all the steps right. Miss one step and you won't get the reaction you want.

Worse yet, you could be on the verge of real riches and have the "experiment" blow up in your face. This happens a lot more often than most people realize.

The five stages

With no further ado, here are the five stages.

Conveniently, they all begin with the letter "S":

- Master <u>S</u>elling
- Master <u>S</u>ystems
- Master <u>S</u>aving - The key
- Master <u>S</u>aving - What to do with it
- Master <u>S</u>aving - How to invest

"What?" I can hear some people say. "Three out of the five steps are related to saving?!"

Yes and you'll soon see why, but here's a sneak preview: You'll learn it's even harder to keep the money you make than it is to make the money in the first place.

Do you think I'm kidding?

This year (2009), the Wall Street Journal ran a story called "Where did all the rich go?"

Here's the short version:

Roughly half of the people in the UK who were millionaires in 2007 are no longer millionaires.

The US saw a 30% decline in millionaires between 2007 and 2008. 2009 hasn't been calculated yet.

Obviously, a lot of dramatic things happened since 2007, but the principle doesn’t change. Making it and keeping it are two very different things - and keeping it is three parts of my five part process.

Step One: Learn to Sell

You don't have to go door to door selling pots and pans.

You don't have to wear a plaid sports coat and gold chains and slap everybody on the back.

But if you're going to become financially independent, you've got to become comfortable and skilled at the art of selling.

All money comes from transactions, buying and selling.

People will give you money when you offer a value and communicate that value well to them. You are on the road to riches when you figure out how to make these offers to large numbers of the right people.

Brilliance, hard work, originality, long hours, high ethics - none of these things hurt. But if you can't "sell" what you're doing, you're never going to make the big bucks.

In contrast, mastering the art of sales and marketing can take a sideline and turn it into a real business and take a $100,000 a year business and make it into a million dollar a year producer.

If you're a great lawyer, you need to become a great marketer of your legal skill...If you're a great doctor, you need to become a great marketer of your medical knowledge...Whatever it is you're good at, the truth is the world will not beat a path to your door. Not unless you build the path and post signs all over the place that point to the path first.

There is one variation of this rule: people who become expert at buying <u>and</u> selling. This would include stock traders, futures traders and real estate operators.

But note well: These are businesses. They're not things you do in your pajamas with one eye on the computer screen and one eye on the soap operas. I don't care what the "get rich quick" infomercials tell you.

Not only are these businesses, they're tough businesses for tough minded people.

The folks who excel in these fields work at them as hard as any professional and are prone to "blow up" (and often do) when they read the market wrong. And it only takes one bad year to erase a dozen good ones.

That's why so many former stock traders and real estate operators go into the education business. It's a whole lot easier and more forgiving to sell "how to" trade courses than it is to actually do it successfully day in and day out.

Bottom line: If you're doing anything that doesn't include large amounts of selling and marketing in it, your odds of ever getting rich are very slim.

If you focus on sales and marketing, you can turn just about any legitimate business into a real money maker.

Further reading:

The late Harry Browne, entrepreneur, publisher and author of many best sellers including "How I Found Freedom," began his working life in sales. He leveraged that experience into a successful publishing empire.

Along the way, he organized his ideas about selling in a private notebook that has only just found its way into print for the first time.

Gary Bencivenga, the most successful direct mail copywriter of the last thirty years, called it the best book on sales I've ever read.'

You can get your copy here: http://www.TheSecretofSellingAnything.com

Step Two: Learn to Systematize

Becoming a master marketer is only Step One.

Many people - especially those who sell Internet marketing courses - would have you believe that it's the only step.

They crow about their million dollar days and other great feats of sales success.

Good for them. The world is full of super salesmen who have tons of flash, but don't have a nickel in the bank. Or if they have held on to some of their money, they only have a small fraction of what could have been theirs.

Why?

They can sell like superstars, but they can't systematize. They can't create selling systems - or to put it in plain English, they can't create a business.

True story...

I knew a couple who wanted to succeed in the garment industry in New York.

They started out as all smart systematizers do by studying the market. In the process, they found a boring but very lucrative niche that was filled with lots of small, not-terribly-competitive businesses.

They figured out who the most effective salesman in the niche was and they "sold" him on the idea of working for them. How did they sell him? In this case, they paid him lavish commissions, far more than any other company was willing to pay him.

For twelve years, this salesman lived the life of a multi-millionaire. Big apartment on the Upper East Side. Summer home in the Hamptons. Flashy cars. Fantastic vacations. Lavish lifestyle in every way.

Meanwhile, the business owners lived very modestly. Beans and rice modest. They had to. All their profits were going to their star salesman.

Were they dumb?

Many people would have thought so.

Until 12 year later when they sold the company for $17 million (all cash) back when $17 million dollars was a lot of money. (Three bedroom co-ops were selling on the Upper East Side of

Manhattan for just $100,000 back then. $17 million then would be worth about $35 million today.)

How would you like to retire at 42 with the equivalent of $35 million in cash? Do you think it would be worth the 12 years of effort to land there?

This savvy couple knew how essential selling was. They also knew that selling power alone is not enough to build real wealth. They harnessed selling power to a System - a business - and reaped rich rewards.

The super salesman?

He had a great run for 12 years and a lot of stories to tell to his buddies at the local tavern. He had no equity and spent every penny he made along the way...sometimes faster...which brings us to step three…

Step Three: Learn to Save – The key

Many, many, many big money makers miss this one.

Did I say many?

Our friend the super salesman missed this one. So do a lot of super salesmen. Not only do they fail to build a System to amplify and create equity from their selling efforts, they also fail to put money aside.

Here's a little known fact:

If you spend all your money, you won't have any no matter how much you make.

Remember how I started the Blueprint?

I talked about the things spending money can't do for you. It can't make you invincible, it can't make you omnipotent, and it can't erase all the inevitable interpersonal hurts, disappointments and slights that are part and parcel of being a human being.

Unfortunately, a lot of people who figure out how to shake the money tree never get around to upgrading their six year old understanding of what money can and cannot do.

Have you ever known someone with serious money who seemed cheap and you asked yourself "Why would anyone with that much money worry about the price of (fill in the blank.)?"

It's not worry. It's an intelligent habit.

The purpose of the game of money making is to take money OFF the table.

You don't take money off the table by sinking it into expensive toys, overhead and general carelessness.

The best explanation I ever heard of this came from a futures trader in Chicago. He was very good at what he did and consistently pulled $500,000 to a million dollars a year out of the pits. Not bad for a business you can run out of your back pocket.

He had a nice life. A comfortable apartment. An attractive, serviceable car. Several relaxing and enjoyable (but modest) vacations every year.

Meanwhile, colleagues at his level gave him endless grief for living “like a pauper”.

They'd tell him: "Get a bigger place. Get some decent cars(s). Stay at the $1,000 a night resort I go to. Live like a human being!"

Understand that this guy was living very comfortably by any standard. He just wasn't living like the Sultan of Persia the way his friends were.

Here was his philosophy:

"If I lived like a millionaire, I wouldn't be one."

Rarely have truer words been spoken.

There are a lot of people who could be millionaires (or in a much better financial situation) if they focused on living well, but kept their feet on the ground.

Think Warren Buffett. He still lives in the same house he lived in 40 years ago. Think Sam Walton: He was happiest driving around in his old pick up.

There's no shame it in. In fact, it's a source of strength and enjoyment because in truth you can never spend your way to happiness or fulfillment.

Make it, live sanely, and focus on taking money OFF the table.

How much of your income should you save?

The "experts" will tell you if you're saving 5% or 10% you're doing great.

How about 90% or 95%?

I'm deadly serious.

Setting a goal like this does two things for you: 1) it makes you take a hard look at all the ways you're spending money and 2) it makes you think about ways that you can be more productive and make more money.

After all, if you're bringing in a million a year net, saving 90% of your income is a snap.

To sum it all up: Grow your net worth, not your lifestyle and overhead.

Sidebar: Savings tips

Here are some tips to get yourself in the mindset to live this way.

Modesty is a good place to start

If you have a modest approach to life, you won't find yourself feeling "entitled" and you'll be less likely to indulge yourself extravagantly at the cost of building your wealth.

Focus on happiness

There is a big difference between happiness and self indulgence. All things being equal, who are the happiest people on earth? Small kids. They don't even know what money is.

Being in a beautiful natural setting, being with people you love, taking delight in the world, these things don't cost a penny, but you won't find anything that will surpass them in producing happiness.

Pick the right mate

I know a very savvy real estate operator who is very interested in how people make and fail to make fortunes.

His conclusion? Your most important choice impacting your wealth will be your choice of a mate.

He said this is so because he observed so many of his friends and colleagues, midway through successful careers, get divorced and lose half their wealth.

If you pick a mate who is a spendthrift and doesn't share your goal to create wealth and financial independence, that can torpedo you too. There are potential spouses who are totally capable of spending every penny you make no matter how much or how fast you make it. Don't marry one of these people and if you do - good luck.

Last word: Living like you're rich is not being rich. Riches are just a glamorous word for savings.

I know this goes against everything our consumer society has ever told you, but for the last 5,000 years that's the way it's been and I assume it will continue to be this way for the next 5,000.

Wise people have always known this secret: No savings, no wealth. Now you do too.

Step Four: Learn to Save - What to do with it

OK, so now you're saving all this money.

What should you do with it? Stocks? High yield bonds? Real estate?

As I write this, most people have learned the answer to this question the hard way, but be aware, I have been giving my System Club members the following advice for many years now and here it is:

Keep the first big wave of your savings in cash and cash equivalents. (And make sure that you and your business is properly insured.)

Real estate? A house with a big mortgage that is "sure" to go up is NOT an investment.

Stocks? Well, there was an amazing twenty-seven year bull market that started in 1980 that went up non-stop no matter what you bought (unless you bought dot com stocks in 1999.) That may be over for a while, a long while.

Bonds? Again, one of those things that looked really good, until it started looking really bad. How about some GM bonds? How about some AIG? Or some Lehman Brothers?

"But what about inflation?" you might ask.

Good question.

My answer is what about a stock that goes down 25% in one month. Can that happen? It happens all the time.

Stocks - and I'm including mutual funds in this - are sold as if they were the safest investments in the world.

They're not.

I trade futures, primarily to keep my mind tuned to reality, and when you know what you're doing, futures are far safer than stocks because when you trade futures you know how volatile they are and pay attention accordingly. Stocks give the illusion of stability. They're anything but.

Rule: Don't put your money in stocks unless you watch them weekly and have a crystal clear exit strategy that you're emotionally prepared to act on.

At this point you might ask what about giving my money to a financial planner to manage for me?

Reality check: A good financial planner is very, very hard to find and it's even harder to find one who is worthy of managing multi-million dollar accounts. Even good ones can run hot and cold.

Too many financial planners are what I call "consensus professionals." They'll do what everyone else is doing because they reason that if it goes wrong they can always say "But everyone else was doing it! How can you blame me?" They'll make excuses all the way to the poor house - the one they put you in.

I have two more words to add to this: Bernie Madoff. Lots of "moneyed" people could not be bothered thinking about their money so they turned it over to planners who turned it over to Bernie. They're not "moneyed" people any more as a result.

I worked on Wall Street for two years, right in the Belly of the Beast (1987-1989). What I learned is that these guys are the masters of illusion and the illusion is that they know what they're doing and you can trust them with your savings and go to sleep.

Bottom line: Your wealth is too important to hand over to someone else to take care of. There's nothing wrong with cash (Treasury Bills and CDs at ultra-safe banks - well under the FDIC limit)

It's a jungle out there

What I've recommended above is only the tip of the iceberg.

Warning: We're about to go deep down the rabbit hole. Don't expect to understand everything that follows the first time you read it.

Rather than spend a lot of time obsessing over the ups and downs of the stock market, you should start paying attention to the biggest "certificate" of them all: the US dollar.

The next time a financial planner is trying to scare you into putting your life savings in a "balanced portfolio" of mutual funds to protect yourself from "inflation" sit back a minute and think through what "inflation" really is.

Yes, in "inflation" prices go up but what's really happening is the value of the dollar is going down. Any American approximately 50 or over remembers the last time we had a major inflationary period. Citizens of many other countries don't have to go back that far.

It's important to remember that what's really happening in"inflation" is a deflation of the value of the currency you deal in. Basically, what happens is the rest of the world thinks less of your currency and wants more of it in exchange for its "real stuff."

As I write this, the dollar is still fairly strong and may stay that way for a while, but this may not last forever. In an inflationary period, you have three choices: 1) you can cut your standard of living, 2) you can earn more money to catch up, and 3) you can move some of your cash into things that go up with inflation.

This is a big topic, far too big to cover here, but here's a pointer.

I like the book "Conquer the Crash" by Bob Prechter and have been recommending it to people for years. If you read the book and agree with his prognosis, you might consider looking into some of the services his book recommends and monitoring the situation via his paid newsletter.

If you're on the road to wealth and are selling successfully, creating business systems and taking cash off the table regularly, you'll want to always keep an eye on the value of cash and be prepared to move to other currencies if the need arises. I guarantee that there are people in countries all over the world who can explain to you from personal experience what happens to your wealth when you're not currency conscious. Because Americans have had the benefit of having the "Big Dog" currency, this has not been a problem, but nothing lasts forever. The wise person is prepared.

As your cash reserves pile up, two other issues to get savvy about are the safety of specific banks and even banking systems itself. Until very recently this was not an issue on the radar screen of most people, but it's always been on mine. The Prechter book referenced above is a good place to start to educate yourself and get practical pointers.

Overall, Switzerland still has the world's best banking system - but that does not mean that all Swiss banks are created equal. In fact, there are only a few banks even in that country that rate as the world's safest.

By the way, if you think of Switzerland as a place to launder money or illegally evade paying taxes, think again. You're probably not smart enough to get away with it (I know I'm not) and many multi-millionaires have done hard jail time for trying various schemes like this. Besides, the best banks over there won't have anything to do with you if they get even a hint that's what you're up to.

It's hard to think about Switzerland and not think of gold. Should you have some? Definitely.

But you want the real stuff - not stocks, not certificates, not collector coins. And you want it stored in a safe place. Yes, it will cost you money to store it, but there's really no other sensible way to do it.

Why gold? Gold is insurance against the unexpected. It's the one form of money that everyone, everywhere accepts all the time from the Aleutian Islands to Zambia.

Though the price of gold fluctuates and you can make money trading it, that's not the reason to buy it. You buy it as a hedge against disaster. Again, there are a lot of places in the world where people don't need any explanation about this. In Russia, Argentina, Mexico, and many if not all African and South American countries, people who had some gold "insurance" made out fine when their local currencies collapsed.

Will the dollar collapse? Smarter and richer people than me like Jim Rogers believe it's a distinct possibility. His specialty for the last several decades is playing currency driven booms and busts. He's very bearish on the dollar.

Another reason for looking into a non-US bank to store some of your wealth in sophisticated countries like Switzerland is they make it as easy to buy and sell currencies and gold as it is for Americans to buy CDs. In fact, in the train station in Zurich (and probably other big Swiss cities as well) you can not only exchange currency, you can also buy gold.

Note that all this advice only applies if you've got the cash to begin with. The best Swiss banks want opening deposits of $1,000,000 and up. When it comes to money, they don't fool around - and neither should you.

Note: I am specifically NOT advising that you speculate in currencies or precious metals. Speculation is a tough, tough business and approaching it in an amateur way is a proven recipe for having your head handed to you.

What I am saying is that at some point – after your cash reserves reach a point where they are meaningful – it will pay you to be aware of the shifting values of currency. A surprising number of wealthy people have paid no attention to this issue and woke up one day to find themselves formerly wealthy.

A quick review

Let's retrace our steps.

First, we realize that all money comes from buying and selling, so we find a promising market and figure out how to insert ourselves into it as super sales people - or we get smart enough to hire and retain the best sales pros we can find.

Second, once we've "cracked the code" on what to sell, who to sell to and how to sell, we systematize what we're doing and make a business out of it. We don't just want income, we want equity. We don't want to be hot shots with a big bank roll, we want to calmly, quietly engineer things to create real wealth, the kind that comes most reliably from owning a successful business.

Third, as the cash comes in, we may indulge ourselves a bit from time to time, but we keep our eyes on the prize: taking cash off the table. We do this by making our business super-productive and by keeping our feet on the ground at the same time.

Remember "wealth" is just a fancy word for savings. If you're not saving, you're not building wealth. It doesn't matter how much money you're making or how big your toy collection is.

Fourth, we build a super conservative position. We don't put our money in the financial fad of the moment and we never hand it over to a "consensus professional" to watch it for us.

(As a side note, it's sad to see how often people who amass nice nest eggs over decades of hard work and thrift lose interest in their savings and turn it over to a "money manager" and lose a big chunk of it. All their life they may never have spent more than $100 without thinking twice, but somehow Wall Street's siren song of a "balanced portfolio" convinces them it's fine to write a six or seven figure check based on nothing more than a few pie charts, a computer print out, and a friendly face in a suit.)

Step Five: Learn to Save – How to invest it

I will go more into the details of investing in Part Two of the Blueprint, but make sure you understand these basics before you skip ahead.

Once you've accomplished the first four steps, then - and only then - are you ready to invest.

The reality is, unless you're a real pro with lots of time to spend, lots of resources, and lots of experience, even very smart people will get eaten alive on Wall Street. That's what it's designed to do: Take your money and make it their money.

This opinion may sound harsh and cynical, but remember I worked on Wall Street and had and have many friends who worked and still work there to this day. Friends right up to the level of managing director of one of the most profitable investment banks in the world. One in particular retired at 40 with a five story townhouse in Manhattan (the whole thing is his family's home) and a 200 acre horse farm in Pennsylvania.

These guys are smart and they're ruthless and they didn't amass this kind of incomprehensible wealth by just by providing "financial services."

Investments should only be made with money you can absolutely afford to lose. I'm sure you've heard this before. Guess what? It's true. Let me spell it out clearer. Unless you have enough cash to be able to support you and all your dependents with no additional income ever, you probably don't have enough wealth to play the markets.

I know this sounds extreme. Maybe even downright un-American, but your job is not to provide liquidity to the casino known as Wall Street. It's to become wealthy and financially independent.

Becoming financially independent is almost impossible to do...if you work for someone else...if you're a super salesman without a System for building equity...if you don't save aggressively...and if you hand over your hard earned cash to someone else to watch for you.

Once a well known marketing guru whose name you'd recommend casually mentioned that he lost one third of his net worth in one year because his "stupid broker" put him in dotcom stocks. I was appalled. Life is finite, time is money and a 33% loss is not something you're going to make back easily. It would have given this man the best payday of his life to simply learn a little about money and spend a little time taking care of his own.

If you're going to put money at risk - because that's what every investment is, no matter what a salesman tells you - know the business and the people involved in the business inside and out.

"But that's too hard," I can hear some say. "No one does that. Why go through all the hassle when all that most people do is just pick up the phone or click a box online and get the stock?"

If you've been following me, the question practically answers itself. Wall Street makes it easy for a reason - and that reason does not necessarily serve you.

The non-Wall Street option

Once you've got your impregnable cash position, what *should* you invest in?

Warren Buffett offers this clue:

"Being a businessman makes me a better investor and being an investor makes me a better businessman."

If you really feel the need to invest, consider avoiding Wall Street entirely.

You probably know the industry you're in pretty well, right? You probably can recognize a solid idea, a winning marketing program and promising operators. If you feel compelled to invest, why not invest in a business you know a lot about?

This will involve getting to know the principals, and you'll certainly have to kiss a lot of frogs to find even one set of princes, but what's likely to have a better outcome? A stock you have a "hunch" about or a smart business that's being well run by people you know and trust?

Notice that this cuts out the Wall Street middle man and puts you in line to get a much bigger piece of the pie.

This is what they smart guys in Silicon Valley have been doing for years. They take the time to do the legwork to find guys who have good ideas and good track records and they back them.

You can even be really crafty and put up your expertise and some of your time in exchange for stock and put in no money at all.

But, don't think this is easy.

Investing time and/or money in other people's businesses is seriously hard work because finding the right deals takes a lot of digging.

It's nowhere near as easy as picking up the phone and ordering 100 shares of Acme Consolidated Widgets. On the other hand, you're far more likely to generate another fortune from this approach than from handing your money to another person.

Business ownership, not stock trading or "balanced portfolios", is where wealth comes from.

Look at the top 500 richest people in the world. You won't find a single stock trader or real estate "flipper." And if you ask Buffett, the second or third richest man in the world depending on the state of the economy, what he does for a living, he'll tell you this: he buys and operates businesses. The media likes to call him an "investor" because it sounds sexier, but his chief modus operandi is buying, holding and operating.

Still more options

Making money with money is a lot harder than investment salesmen would have you believe.

Reality check: If you can average 15% a year on your money, you're at Warren Buffett's level.

The investment stock newsletters that scream "120% returns!" are bogus. A solid 15% a year return is considered All-Pro.

If all this is true, and you don't want the work of investing directly in other people's businesses, then where does that leave you?

In a pretty good place actually.

Instead of gambling your money on Wall Street, you can invest in your family members, in your community, in causes you believe in, and/or in people and institutions you respect and admire.

Sometimes these investments will have a financial payback. However, often the payback will be in something else other than money: personal satisfaction.

By the time you get to Step Five, you're going to have not only accumulated a nice pile of cash, you're also going to have developed some serious street smarts.

If you keep your eyes open, talk to a lot of people and kiss a lot of frogs, you will find situations where a little bit of money and a little bit of your time can go a long, long way.

For example, I know someone who discovered that thousands of pounds of edible fish were being thrown away each month on the docks in San Francisco because there was no economic incentive to save them.

Higher value fish got shipped out right away, but lower value ones were thrown away. For a relatively modest investment this man and his friends raised the money to buy a refrigeration unit to hold these fish until enough of them could be amassed to make it economical to ship to soup kitchens in the area.

The return on this investment was astronomical and is still paying off over twenty years later and will continue to pay off for many years to come.

Did the "investor" get a good return on his money and efforts? I think so.

The world needs savvy business people who can recognize opportunities like this and help capitalize them.

The reality is communities function largely on the generosity of many people, very often low paid and even unpaid people who do amazing work for others without a lot of fanfare. If you keep your eyes open, you'll encounter such people and recognizing and supporting their efforts with cash is a great way to leverage your money.

If you think I didn't provide enough hard core investment advice in Part One of the Blueprint, hang on. I'll be going into greater depth about making investments in Part Two.

The End of Part One

These are the five steps to becoming financially independent and every one of them is important.

Strangely, 99.99% of the material out there on "wealth building" focuses on just two stages: how to make money by selling lots of stuff and how to make your money make money for you.

They leave out business building, they leave out the absolute necessity of aggressive saving, they leave out the importance of personal financial conservatism (i.e. don't buy the banker's BS.)

Dreaming about making money through investing when you don't have serious savings is a mug's game, but it's dramatic and appeals to the "something for nothing" mentality we all have. And it sells lots of books and tapes.

The *smart* place to focus when you're at the beginning of the process is:

1) Sales and marketing
2) Business building
3) Saving what you make (that's your wealth)
4) Protecting what you save
5) Making informed investments with your surplus, not the throw-a-dart-at-the-dartboard ones they cook up on Wall Street

At the root of all this is creativity and vision.

And the process takes effort, sacrifice, and stamina.

To get anything in this world, you have to figure out what you're willing to give up to get it. It's always a game of trading one thing for another.

Trade wisely and good luck.

Part Two coming up…

Part Two
The Fine Points

Part Two – The Fine Points

Part Two of the Independence Day Blueprint contains all the fine points I didn't have room for in Part One.

If you're "cheating" by skipping ahead I urge you to make sure you read Part One which is the foundation of my method.

What follows are some hard earned gems.

Include satisfaction in your business plan

Entrepreneurs tend to be a stoic lot. They're willing to sacrifice and tough it out to achieve their goals. That's a good thing because not everything in business is fun, easy or pleasant.

The downside to being stoic is that it can get to be a habit. You can get so used to the struggle and dealing with the hard parts, you leave out one of the most important reasons for being in business in the first place: personal satisfaction.

If you let it be, the process of business building and money making can become an all-consuming monster. That's why it's so important to remind yourself frequently - how about daily? - that ultimately, you're in business to enhance your life and the lives of those you love, not to make yourself into a rich but grim slave of necessity.

Once you master this step (include satisfaction in your business plan), raise the bar to this:

Include joy in your business plan.

This not necessarily easy to accomplish. The proof of this is how many absolutely miserable "success" stories there are out there. Work on it. Make it a priority. Cultivate business colleagues who "get" it and who you can talk with about this challenge. It's a life-maker.

Do what you love and the money will follow - revised

It takes a lot of time, energy, passion and courage to get a business up and running - and to keep it going. So you better love the business you're in.

This is not "new age" thinking. It's cold, hard, practical reality.

I remember once talking with a very sharp, very savvy real estate investor/operator. He was in his 80s and still full of energy and passion for his business. Still making tons of money. And having a ball.

We were talking about his kids and his grandkids and the advice he gave them about money making.

I would have thought that because this guy knew real estate inside and out and because making money for him in that game was as easy as rolling off a log that he would have told them: "Look. Just go into real estate and do this, this and this and you'll make a pile."

Instead he said:

"I'd tell them to find a business they loved because the fact is to be good at anything is always a matter of hard work and the work never really ends.

So you better be doing something you love. I happen to love real estate. Always have. But if I didn't, there's no way I could have kept on top of and ahead of things the way I have all these years. I would have burned out a long, long time ago."

There's more than one way to skin the cat

I teach Internet marketing because it's something I know and am good at and never get tired of learning more about.

I also know it "works" because I've seen countless students go from zero to success using Internet marketing as their vehicle and I still develop little, low input/high output businesses on the side that generate surprising amount of cash.

But that doesn't mean you have to go into Internet marketing to make your fortune. Just look around you. People are making fortunes, large and small, in all kinds of ways.

Here are the three things you need to pay attention to on your quest to find your vehicle for making money:

1) Am I really interested in the field?
2) Am I good at it and willing to do what it takes to get better all the time? and…
3) Are their ways to monetize my interest and aptitude?

You need a YES to all three of these questions if you're looking for an activity that will make you money, otherwise keep looking.

One warning: You may not really know the answer to Question 3 because you haven't done enough researching and creative thinking.

If you answered a strong YES to questions #1 and #2, make sure you dig deep before you say no on Question #3.

Be a producer, not a consumer

Society trains us to be consumers.

Want this, feel envy about that, buy this, base your self worth and happiness on that...

A consumer is someone who looks at the world through the lens of: "What can I buy next?"

A producer look through this lens: "What can I create next?"

At the end of the day, creating things (like money making businesses) is a lot more fun than buying things. It also puts you in an infinitely better place materially.

The consumption-minded person is always diminishing his or her capital and never feeling satisfied. Taken to an extreme, this person eventually ends up with no money and no stuff.

The production-minded person is always on the path of adding to his or her capital and enjoying the satisfaction that comes from creating things. While he's focused on creating and producing (and saving), the money just piles up and one day he discovers he can easily pay cash for all the toys and trinkets the consumption-minded person ruined his life to get.

Consumer vs. producer is a very simple idea, but it's also very powerful. Don't underestimate the impact this fundamental decision will make on your happiness and wealth.

"No I don't"

These are eight of the most dangerous words when it comes to preserving your wealth:

"I've got to do something with that money."

Millions of savers were railroaded into the stock market and a "diversified" portfolio of mutual funds only to get a 30 to 50% haircut on their life savings.

Here are the three words that will provide you with an antidote to these eight dangerous words:

"No I don't."

You don't *need* to do *anything* with your savings except preserve them.

The investment industry is genius about two things:

1. Making you feel like an idiot for not doing something "smart'" with your money

2. Selling you on the idea that they know what the "smart" thing is

Here's the guideline:

If you don't have a well researched, well thought out reason for investing your money in something - one that includes a frank assessment of all the potential downsides - there is no shame in keeping your cash in short term government notes. (Make sure your country's financial system is stable of course. This won't work if you live in Zimbabwe!)

For every person who has "taken a flyer" on something and gotten a big payout, there are probably 100,000 who threw the dart at the dartboard and had it land in their foot - or someplace even more painful.

Few people share what idiots they've been with their money, but a single one-in-a-million lazy investment success story will circle the globe inflaming millions of "get rich quick" greed glands in the process.

The best investment?

The best investment you can ever make is your own business and making it more profitable, more stable and more fun for you.

Second best is getting involved in a business that's in an industry you know from the inside out with people you know from the inside out.

There are three things to look for when contemplating an investment like this:

1) Do you know and trust ALL the principles based on having extensive first hand business experience with them? (Hanging out with them socially doesn't count as business experience). You better know and trust them all because one day the guy who brought you into the deal may move on.

2) Does the idea make basic sense and do they have a credible detailed plan for making and turning the idea into profitable sales? Have they succeeded in similar ventures?

3) How are you protected in case of their failure?

Investments like this, even when screened very carefully are risky, therefore demand all the security you can get.

Be creative. Don't accept the first set of terms the company offers you. For example, if a company is looking for money to start or expand, why be content with trading your hard earned cash for shares that are hard to value and even harder to sell?

Why not *lend* your money instead and secure the loan with something you can seize and sell if the loan isn't repaid? While you're at it why not tack a stock option deal onto the loan terms that entitles you to buy company stock at a favorable price in the future? This way your money is secure and if the business takes off (few do), you get to enjoy the upside as a bonus.

Everything is possible if you think it through. Thinking deals through could be the difference between making a fortune and getting goose eggs.

If you can't get the terms you want, why play? There are an infinite number of deals out there. If you find yourself so "in love" that you have to be in the deal at any cost, that's a red flag that you need to slow down and think through the downside.

Of course, all deals like this require legal paperwork. If the other party doesn't perform, you need something in hand to get what's coming to you.

As you can see, there's a lot of homework involved in making a smart investment. You may decide that the best thing to do with your time is focus on your own business and just let the money pile up.

The best time to invest

OK, now that all that cash is burning a hole in your pocket and like the sailor who's been at sea for six months you just *have* to do something with it.

Let's say there is no productive use you can put it to in your own business (very unlikely) and you don't have the time or interest to do the extensive networking and due diligence needed to find smart private investments. What else can you do with your money?

Here's a very smart and very simple way to invest your surplus:

Buy valuable things that people are throwing away.

I realize that this may sound crazy. People don't throw valuable things away, right?

Yes, they do and they do it all the time and the smartest, most lucrative, stress-free way to invest is to wait until they do.

Examples:

- Gold

In the late 1990s, the world was throwing gold away. Throwing it away as if it were toxic waste. Take a look at the charts. Google the "conventional wisdom" about gold from that era. Look at the charts today.

Anyone who knew even a little about the history of the gold market and the financials of gold production knew that gold was being given away.

Of course, buying it back then - as a few smart people did - was psychologically hard to do because everyone was certain it was worthless. You don’t get paid for doing what everyone else is doing.

- Oil

All through the 1990s, the market was throwing oil away. $10 a barrel. Cheaper than water. Literally. The financial press knew why, of course. We were in a "new era." Old fashioned things like oil didn't matter anymore.

Yeah, right.

Investors who understood the oil market and how to position themselves for the inevitable comeback made a killing.

- Manhattan real estate

A decent one bedroom apartment in one of the better neighborhoods in Manhattan will set you back $3,000 to $4,000 a month. That works out to $36,000 to $48,000 a year.

As recently as the 1970s, three bedroom apartments on the upper east side, including Fifth Avenue apartments, were selling for $100,000 and less.

Why?

People thought they were a "bad deal."

After all, why buy the apartment you're living in when your rent is so reasonable?

Seems crazy now, but that was the dominant logic back then.

Co-op developers (kind of like condos but with some differences) were throwing away Manhattan apartments at give away prices in an attempt to unload them. Why were they in such a rush to "dump" their properties? Conventional wisdom told them that Manhattan real estate was going nowhere and it was best to get out while the getting was good.

Gold, oil, Manhattan real estate - items of real, lasting value being sold at rummage sale prices.

It happened.

Things like this happen all the time - and that's the time to buy.

Investing this way takes three things:

1. Patience - you have to wait until the market is in "throw away" mode

2. Knowledge - you have to know a market well enough to realize the prices are "throw away" and that the rest of the world is wrong

3. Cash - If you've been blowing money on "lucky guess" investments, consumer toys, and a "look how great I am" life style, you won't have the cash to grab these opportunities when they present themselves.

This is the smartest way to invest. One friend calls it "buying at the bottom of the ocean." You're in so low, you don't care about the inevitable ups and downs. You sleep well at night, you avoid frantic "in and out" trading, and you find the smile on your face getting bigger and bigger every day.

Trading Sucks

I like trading. I'm familiar with futures trading and every now and then I take a position in something. I'm not bad at it. In fact, last year I did extremely well, but here's the reality of trading:

1. If you lose, you feel bad

2. If you win, you feel bad because you didn't make your position bigger

I used to think that I was the only trader who felt this way. Then I heard a trader who used to work with billionaire George Soros say the same exact thing.

Yes, you can make money as a trader, but it is as tough a business as you'll ever find, and it's not that much fun. (I indulge from time to time with very modest amounts because it can fun in limited doses if you have the temperament for it, but personally I'd just hate to have to grind it out day in and day out as a business.)

The most important investment advice you'll ever get

Whether you are a long or short term investor, these three things will save your skin and make it possible for you to make lot of money

1. When you go into a new investment, write down all the reasons you're going in it. Refer to it regularly. If those reasons start to deteriorate, get out.

A surprising number of people get into investments, forget why they're in them and then stay in them because of inertia. This is a good way to turn a large fortune into a small fortune.

2. Develop your exit plan before you put your money in.

First make sure that you *can* exit.

Stocks are nice because there is always a market for them. You might not like the price, but there is a market. Private investments are a lot trickier to unload which is why you need to know what you're doing, who you're dealing with and how to build all the security you can into the deal.

Second, know what your exit point is and when exit time comes, pull the trigger and get out.

3. Understand how expensive loss really is

Investment loss is no joke

There's an old, but very true joke about trading and investing:

There are old traders and there are bold traders, but there are no old, bold traders.

If you do a serious study of trading and talk to dozens of people who do it for a living at a high level as I have, you'll quickly learn one thing: Defense is the most important thing.

Every successful trader who has been in the game for a long time agrees on this point. They call it "money management." Whole books have been written about it. Vast fortunes have been made by understanding it. Vast fortunes have been lost by not understanding it.

Here's a little chart I made (because I've never seen one anywhere else) that I use to remind myself of just how serious investment loss is and why protecting yourself against it has to be your first and last consideration in every investment you make.

Everyone understands the idea of total loss. 100% down the drain.

What many underestimate is the impact of seemingly small losses.

Here's how the numbers work.

If you lose 10%, it takes an 11% gain just to get back to zero.
If you lose 20%, it takes a 25% gain just to get back to zero
If you lose 30%, it takes a 42% gain just to get back to zero
If you lose 40%, it takes a 66% gain just to get back to zero
If you lose 50%, it takes a 100% gain just to get back to zero

To put this in perspective, in the world of professional money managers, anyone who can rack up a 15% gain annually year after year is considered a god. Look at how many god-like years you have to string together just to get back to zero from a 30% loss.

When you invest, plan to lose

Few people go into investments psychologically prepared to lose.

They put money into things because they've been persuaded that they will make money, the only question being will it be a little or a lot. The idea of potential loss too rarely enters the picture and when the losses come, they have a stunning effect. Being stunned is not a good state to be in when you're in a fight for your financial life.

One of the reasons trained boxers are such good street fighters are that they not only expect to get hit a lot, they do get hit a lot and know how to deal with it. Contrast that with people who practice what I called "theoretical" martial arts that don't involve full contact. The first time they get hit by someone who seriously intends to hurt them they freeze. Bad.

This is exactly what happens to unprepared investors. They see the loss and they don't know what to do. Many do nothing and just stand there and take a beating. That's why knowing your exit point and being rigorous about pulling the trigger when it's time to go is so important. Trying to figure all that out and steel yourself to make the decision to get out when you're reeling emotionally doesn't usually turn out well.

The solution: Don't think that you or the person who put you in the deal is a genius, plan your exit strategy in advance and then, if things go the wrong way, exit.

Make small bets

Now that I've explained the numerical and psychological impact of investment losses, you can see why I feel short term US Treasuries are the best place for your money - unless you have crystal clear reasons for doing something different.

Remember, return on your investment is nice, but return OF your investment is far more important.

Hearing all that, you probably still want to take at least some of your savings and do something "interesting" with it. Why not? It is your money and if you have a lust for adventure, you're probably better off acting on it to a small degree than letting it build until you do something really dumb.

The rule: make small bets.

One of the things I learned from veteran traders is that you should never risk more than 5% of your capital on any one investment idea.

Every futures trader I've ever met or read about who is in the game in a serious way and has been for a long time, swears that the small bet rule is the key to success. They're all extremely defensive when it comes to their trading.

When I first heard this 5% rule I rebelled. After all, I only had a $5,000 account. 5% of that is just $250 and I wanted leverage and action.

Later, after I picked myself up off the floor half dead, I started to think deeply about the impact of losses.

If you must invest money, keep your bet small relative to your total investment stake. That way if things go bad - and they will at times - it's not the end of the world financially or emotionally and you can deal with it. It's less exciting, but there are many other ways to get excitement in this world than staying up nights worrying about your savings.

Many of the Madoff victims violated this rule big time by putting 100% of their savings with "Bernie." If they'd spread their savings around a little, there would have been a lot less tears.

Fakers

When someone goes out of their way to show you how rich they are, they probably aren't (or their riches are temporary.)

I don't see Warren Buffett flashing a lot of cash. Sane people who have a lot of money are usually pretty low key about it because they know that making, preserving and growing money is a job just like any other job, and it's a lot less glamorous than it seems.

Unfortunately, many people make their business and investment decisions based on the apparent wealth of the person who is pitching them. It doesn't occur to them that the toys the promoter is showing off could be rented, borrowed, or, even worse, paid for by ripping off gullible people.

The character and track record of the people in the deal and the soundness of the plan are the only things that matter. Everything else is just fluff.

Just get started

You're infinitely better off getting in a marketplace and making one lowly dollar than you are sitting back and theorizing and studying for months or years.

Learning is part of the business building process (it never ends), but it's not a substitute for mixing it up with people, putting offers in front of them and seeing what happens.

Too many people stand at bat waiting for the perfect pitch before they swing. In baseball you only get three chances to do that and you're out. Unfortunately, in life and business, there is no such rule. You can stand there forever. Some people do. Don't do it.

Start. Do. Make mistakes. Learn from them. Make more mistakes, Learn from those.

A little bit done every day adds up to a lot so never sit on the sidelines because you can't think of anything grand or dramatic to do. Most big successes are the end result of modest aspirations that were acted upon.

In all probability you'll end up in a very different place than where you started, achieving even more than you ever imagined possible, but that will only happen one way: if you're in motion.

Make money without money

You know the old saying that "it takes money to make money?" It's just not true.

There are plenty of ways to get started in business with the spare change in your pocket. In fact, if you can't make money without money, you probably won't be able to make money with money either.

More than one successful entrepreneur I know has confessed that having a lot of money to put into a business turned out to be a disaster, not a boon. Money is often used as a way to avoid hard work, creativity, thinking things through and networking. In the end, no amount of money can jump start or bail out an enterprise that's not based on these things.

Of course, you can't start a steel mill with no money, but if you really know your business, you should be able to find knowledgeable people with money to back you. If you can't, it's a sign that you're not as ready as you think you are.

As for your own money and the money of your friends and family, the idea that you *need* to bet the farm on any business venture is very dangerous thinking and inaccurate.

Milestones

Here are some major milestones to help you mark your progress on the road to financial independence...

- Key business milestones

1. You moonlight on building a business of your own on the side

2. Your "sideline" business makes so much money, it doesn't make sense for you to keep going to work.

3. You get your business to critical mass and start farming out the tasks in the business that you don't need to personally do.

4. You use your freed up time to either start an even more promising business or grow the original one you started.

- Key financial milestones

1. You pay off your debts so you that don't owe anything to anybody, starting with credit cards, then cars, then eventually your home.

2. You've got all the insurance you need for your particular situation in life. Paying for insurance is a drag, but you always want to protect against the downside and intelligently purchased insurance is one way to do that.

3. You're regularly taking money off the table and saving it. Savings equals wealth.

4. You have enough wealth to survive three months with no income.

5. You have enough wealth to survive a year with no income.

6. Note each wealth/savings threshold you pass through and pat yourself on the back each time you add a new year (or decade) of reserve to your wealth. Have a major party when you realize

that your money will outlive you even if you never bring in another penny in income.

7. Knowing how much you need to live on, your wealth reaches the point where the return on your savings alone is enough to live on without touching your capital.

(Update 2011:Thanks to reckless and lunatic actions of the part of the Federal Reserve interest rates on US Treasuries are at epic, all-time lows. However, they are still the best way to safeguard your money. Don’t chase returns. If you’ve systematized your business (your original source of wealth), you’ll still have an income even though the Fed is currently conspiring again savers in favor of speculators.
This too will pass.)

Step # 7, living entirely off interest and other passive income, may seem like it's a big leap, but as you'll see when you start putting the suggestions in the Blueprint into practice, it's a natural outcome of focusing and following a plan, no different from any other accomplishment like building a house or building a profitable business.

One thing is for sure: If you don't focus on it and make it a priority, financial independence won't happen by itself. There are all sorts of forces hard at work cooking up new ways to separate you from the fruit of labor and take you off the path.

Once you know what these forces are and know the path and its pay off, you'll be exponentially more likely to succeed.

No magic bullets

Human beings love the myth of the magic bullet. The one thing that solves all problems and gets them what they want. We all love this myth not because we're stupid, but because it's such a compelling story.

The formula is always the same: "If only I could find that one thing, then (fill in the blank) would be perfect."

When you find yourself thinking this way, you can bet that trouble and loss won't be far behind.

Promoters love to tell and re-tell the magic bullet story because it works so well as a selling tool.

Any time you’re presented with a magic bullet offer remind yourself that while there are systems and programs that work - to improve your health, to make your business more profitable, to invest your money more wisely - there is no such thing as a single element that is powerful enough all by itself to get you the whole prize.

In the health world, a single item like acai berries, for example, is promoted as having magical qualities. Acai berries may indeed be wonderful, but eating them alone won't overcome the effects of a way of life that includes eating unhealthy food, not exercising, smoking, and other less than optimal habits. There are many things one can do to enjoy great health - and the more of them you know and do the better.

It’s the same thing with money. There's no *one thing* you can do which will help you attain the big prize: financial independence. It's a collection of things - and the more of them you know and do the better.

At the end of the day, life is unpredictable. Sometimes that unpredictability works for us, sometimes it works against us.

The best we can ever hope to do is use our God-given minds to learn as much as we can about how things really work and then make habits of all the things that are known to increase the odds of success.

I've touched on a lot of these financial practices in the Independence Day Blueprint. Keep looking for them. You'll certainly discover many more.

As the Bible puts it best:

"The beginning of wisdom is: Acquire wisdom and with all your acquiring, get understanding."

- Proverbs 4:7

Conclusion

I hope the Independence Day Blueprint helped you get more clarity on money and how it works.

As for so many topics, at least half the battle is cutting though the "conventional wisdom" and getting to the most uncommon thing at all - common sense.

My highest hope for the Blueprint is that it will help you:

1. Focus your efforts on achieving financial independence

2. Encourage you that financial independence is attainable

3. Warn you of pitfalls and point you toward the things that really work

You might re-read the Blueprint from time to time. I packed a lot into it.

And check out some of the books in my recommended reading section on the next page.

Good luck!

Ken McCarthy

Recommended reading

If making money is your goal, then making a study of money above and beyond the business or profession you're in is a very smart way to invest your time.

Here are some of the key books that have informed me over the years and helped me clarify my understanding of money and how it works.

The good news is the study of money is interesting and there are lots of excellent, well written and insightful books available to help you on your way.

The down side?

There is no downside.

Money impacts your life in so many ways, the more you know about it the better.

I read and re-read these books on a regular basis to stay on top of my game.

Don't feel you have to read them all, all at once. Grab the first one that appeals to you and get started on it.

* The Trick to Money is Having Some - Stuart Wilde

Getting, keeping and enjoying the money you have is a highly charged psychological issue.

Practically everybody has some kind of unconscious ideas about money that aren't helpful. This amusing and insightful book will help you get to the heart of what money making is all about, remove the stress and drama, and make the process fun. Yes, fun.

* The Richest Man in Babylon - George S. Clason

One of those "old fashioned" books that has more immediate actionable advice in it than any $5,000 seminar. If you already know this book, dust it off and read it again. I guarantee re-reading it will pay you rich dividends.

If you've never heard of it, you're in for a treat. Short and immensely practical. It's like having a wise old grandfather who made it and wants to show you how to make it too.

* Your Money or Your Life - Vicki Robin & Joe Dominguez

Clarity about money. That's what this book will give you. Lack of clarity is the biggest single obstacle to making, keeping and enjoying money that you'll ever face.

There are just a few numbers that you need to know to build a practical plan to achieve financial independence. My guess is not one out of 10,000 people knows these numbers and that includes a lot of smart business people.

* What I Learned Losing a Million Dollars - Jim Paul and Brendan Moynihan

Out of print and hard to find so let me sum it up: Improve your defensive game.

A whole lot of "hot shots" are so impressed by their own ability to score goals (i.e. make money) that they don't even bother defending the goal line (i.e. preserving capital.) If you don't defend your goal line, it doesn't matter how much you score.

There are a surprising number of once-successful people who thought they were too good to pay attention to this lesson.

* The Black Swan - Nassim Nicolas Taleb

This book will keep you humble after you've made it and keep you going as you're working towards your goal and facing difficulties.

There is a tremendous amount of randomness in life. You can make it work for you or you can let it work against you. This and Taleb's other book "Fooled By Randomness" will change the way you look at life forever.

* Conquer the Crash - Bob Prechter

Rooted in decades of serious research, published in 2002, this book was a frighteningly accurate predictor of the 2008 crash. It explains the "big picture" of how economic conditions ebb and flow over time, how to profit from them and how to avoid getting caught in the inevitable squeezes that wipe out the unwary (i.e. 99% of the world.)

* Healthy at 100 - John Robbins

This is a new book to me and it doesn't talk about making money at all. On the other hand, one thing is certain. If we're lucky, we're going to live into old age.

Many people are scared of getting older and rightfully so because they don't prepare themselves to be radiantly healthy in their golden years. It can be done. Health is wealth. You don't want to end up old and rich and sick. We have a lot more control over our health than many people realize. No guarantees, but we can increase the odds.

*Horse Sense: How to pull ahead on the business track - Al Ries and Jack Trout

Out of print. What's the secret behind every big success story? Most people think it's initiative, hard work, creativity, diligence etc. These things certainly don't hurt, but they're not the total answer. You need more. The secret is riding the right horse. No one gets there on their own.

The Last Word

There are many, many ways to make money.

As long as they're ethical, there really is no one business that's intrinsically any better than any other.

However, I am personally biased towards sales and marketing because every business, every profession, every good cause needs marketing to survive and thrive.

If you get the sales and marketing piece right, you can move mountains and turn losing or break even enterprises into big winners. I know of no other skill set that gives the individual such powerful leverage.

Opportunities on the Internet

The Internet is the greatest sales and marketing tool ever devised. Again, this is my personal bias, but with every passing year, my bias seems to be proven over and over again.

The beauty of the Internet as a marketing vehicle is threefold:

1. It enables you test new business ideas inexpensively and get quick answers

2. It lets you deliver your sales messages in all kinds of media - text, photos, audio and video - for just pennies

3. It makes it easy to track the effectiveness of your sales material and your advertising dollars so you can continuously improve your sales processes making them even more profitable

No other media comes close to being as entrepreneur-friendly.

The System

Back in 1994, I was one of the first people to apply the direct marketing model to Internet marketing. Many of the original practical guidelines I laid down back then for using the medium are still applicable today.

Since 1994, I've trained thousands of people to use a sound, reality-based approach to creating and growing Internet marketing businesses.

Internet marketing is not for everyone, but if you want to start a business or grow the one you have, it's an essential business building tool and the more you know about it the better.

Top recommendations

If you are a beginner or you've been knocking around Internet marketing for a while and haven't yet made your big breakthrough, I recommend this course which I created with the help of two of my students. **The System Smart Beginners Program:**

Click here for details: http://www.SmartBeginners.com

If you're already involved in Internet marketing and want to dramatically raise the level of your game, all year long I bring the world's best and brightest business minds together three times a month for private training and information sessions. It's probably the best bargain in Internet marketing and you can try it here without risk. **The System Club:**

Click here for details: http://www.TheSystemClub.com/testdrive/

Knowing how to sell is the single most important skill in money making. Nothing else comes even close. Mastering the art of selling will not only help you move more products, it will also help you come up with winning business ideas; recruit better employees; negotiate better deals; and attract investors and financing. The best book on the subject of selling is **The Secret of Selling Anything:**

Click here for details: http:/www.TheSecretofSellingAnything.com

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