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You are responsible for your actions and smart decisions and do your own research!

I originally created a book of 'money learning' for my Mom decades ago. I later created this 'letter' for my Wife & my Children so that they would understand the options that this tool called money creates.

Along the way, I have met with many people explaining these simple concepts about this tool called money, to help them create options with minimal time & energy. Through their questions this 'letter' has gotten better and better over the years. I am not here to manage your money, but to teach you how to do it yourself.

Please create options for what you were meant to do in this life, to fulfill that want in your heart and spirit.

In its **SIMPLEST** form:

SAVE >> SPEND + INVEST AUTOMATICALLY = FINANCIAL INDEPENDENCE

Summary:

'Create your own economy, become Financially Independent (FI) and design a better life.'

1) Why Bother?

On the last 16 years, let's be a little pessimistic here and include two down turns

(~2000 Tech Bubble, ~2008 The Great Recession).

Just meeting the market (VTSAX) would mean:

\$100,000 at start turns to \$255,000

\$500,000 at start turns to \$1,300,000

\$1 Million at start turns to \$2.5 Million

2) How much do you need?

You can spend approximately 4% of what you saved and invested without the money running out.

3) Where to invest your hard-earned money?

VTSAX, VWIAX, VBTLX or mixture.

- Paying someone else to manage your money with a new car every other year with a \$1MM starting portfolio or a new car after 16 years with a \$100,000 portfolio.
- Fees are very important - expense ratios (ER) of 1% on \$1 million dollar (\$1 M) is \$10,000/year, if your ER was 0.04% this would reduce to \$400/year.

4) How to invest.

Next steps for everyone right now. Open a Fidelity or Vanguard account & start investing in VTSAX, VWIAW, VBTLX or mixture.

5) Automatic

Paycheck into Market - Just do it. It will help understand and control your spending.

6) Allocate

Three year-based buckets and a check on % bond/equity.

7) Before or After Tax?

Any Company match 1st, then Roth, then After Tax Brokerage.

8) What if I am self-employed or run a small business?

Options: Solo 401K or Self Employed 401(k) or SEP IRA if you have Employees.

9) Medical Insurance -What do I do without the company Insurance Plan?

Options: Affordable Care Act (ACA), Christian Based (many different), etc.

10) What do I do with my CASH or money I might need in the next six (6) months?

Options: Local Bank, Online Bank, Money Markets, CD's, Bank alternatives, etc.

11) Next steps for those who are curious.

Becoming more active to hold your interest, but only if you want to.

I have tried to answer the concerns that people have:

This is too hard I'm not good at this, I'm scared this is my hard-earned money, I'm not ready to face when I will die and if my money will run out, I have no time.

DETAILS:

A simple way to Invest in the Market.

Making a friend of Compound Interest, spend much less than you make and automatically invest the rest.

Premise: Market will always go up over time.

If you do not believe you can do this, please at least hire someone to do this for you.

They typically charge 1 to 2% of total assets.

(On \$100K you are paying \$1,000/year for something you can do yourself!)

But, I believe you can!!!

1.) Why Bother?

Compound interest is Awesome.

You will struggle to ever retire without it.

This simple thing of having your dollars work for you will create Freedom for you to do what you want.

To spend your time where you want to do.

Simple tool: http://www.moneychimp.com/calculator/compound_interest_calculator.htm

In tool

Ok, if you made your goal for 2) below in ~20 years starting with \$10,000 at 6% return.

Now if you had to just save \$625,000 at saving \$10,000/year it would take ~63 years!

2.) How MUCH do you need to live off your investments?

Start with how much you spend per year and multiply by ~25.

The premise is if you spend \$25,000/year X 25 = \$625,000 total.

Details: This is supported by the 4% and called the Trinity Study. (see link below)

The assumption is the market will outpace what you spend 4% + inflation.

Simple tool attached that loads in MS excel, but not needed.

3.) WHERE to invest?

Three simple Buckets.

Bucket 1 – Money needed in next three (3) to five (5) years.

CASH or CASH equivalent – CASH, CD's, Money Market and if you are more Risk tolerant - Bonds. (see 10. Below for more details)

Plot of Market down years. In the Great Recession your money was down for 3 years, but is up twice as much since!

Bucket 2 – Money needed in next five (5) to ten (10) years.

VWINX (\$3000 min) & if you have more (\$50,000 min) use VWIAX.

(same Vanguard fund in Admiral shares = less expense ratio).

VTSMX (\$3000 min) & if you have more (\$10,000 min) use VTSAX.

Bucket 3 – Money needed greater than ten (10) years or all the rest.

VTSMX and if you have more than \$10,000 use VSTAX.

For example – Say you have gotten your \$625,000 and you are spending \$25,000/year.

Bucket 1 = ~4 years X \$25,000 = \$100,000 for example in cash/bond or equivalent.

Bucket 2 = ~7.5 yrs X \$25,000 = \$187,500 in VWIAX.

Bucket 3 = ~10 yrs the rest = (\$625,000 - \$100,000 - \$187,500) = \$337,500 in VTSAX.

This would give you a 1/3 (33%) bond, 2/3 (66%) equity split.

Book – The Simple Path to Wealth by JLCollins.

Link: https://www.amazon.com/Simple-Path-Wealth-financial-independence/dp/1533667926/ref=sr_1_1?ie=UTF8&qid=1485223291&sr=8-1&keywords=the+simple+path+to+wealth

When you start withdrawing on your investments you can add a BOND fund, he suggested VBTLX.

4. HOW to invest?

Brokerage account in either Vanguard or Fidelity.

Link – Vanguard (This is the simplest and \$7/trade)

<https://investor.vanguard.com/home/>

Link – Fidelity (tools are good and \$4.95/trade)

<https://www.fidelity.com/>

I use both.

5. Automatic

Paycheck TO→ BANK TO→ Brokerage Account (Vanguard or Fidelity) TO→ Market.

One Account automatically pulls from the other resulting in You doing Nothing!

If this is done automatically it puts a TENSION with what you can spend.

6. Allocate

1 time per year re-adjust your Buckets & percentage OR don't and just do as JLCollins' says and put all dollars in VTSAX.

This is moving dollars from one bucket to another to keep the dollar values correct.

7. Before Tax or After tax?

Definitely, at least minimum amount into 401K (Before Tax) that the company will match.

Max out your ROTH IRA's after this. (your income level may not allow this)

Set up an 'After Tax Brokerage account' in 4.) Above after this.

This is extremely simple and mostly conservative (investments themselves are US market and bond) and LOW expense ratios.

What does Warren Buffet of Berkshire Hathaway (one of the richest self-made people in the world) tell his wife to do when he dies?

90% stocks and 10% Bond. Very close to the above.

For investing embrace the boring...

You can do a lot more if you want, but please just start simple.

Caution: If you do this **DO NOT PULL YOUR MONEY OUT IF THE MARKET DROPS.** Why? You will likely remain out when it starts doing back-up. Can you answer the question when the market upturned in the 'Technology Bust' and 'The Great Recession'?

Rule – If you want to pull your money out you must be right twice:

First when to pull your money and the second when to put your money back in.

(This is very very hard, but I believe can be done through allocation, if you understand Market Trends.)

8.) What if I am self-employed or run a small business?

How and where to contribute to tax differed accounts:

- Roth IRA - we discussed max this out 1st

- HSA - we discussed - a gold mine for medical and not FICA tax
- Solo 401K or Self Employed 401(k) - Contribution limit for 2018 \$18.5K + 20 - 25% (not sure what type of business you have) of earnings max. + 6K (over 50).
This would be a great way to offset your business income while saving for retirement.

[https://en.wikipedia.org/wiki/Solo_401\(k\)](https://en.wikipedia.org/wiki/Solo_401(k))

OR

- SEP IRA. (This is more if you have employee(s)). Contribution limit ~20-25% of Income for each employee.

<https://en.wikipedia.org/wiki/SEP-IRA>

9) Medical Insurance - What do I do without the company Medical Insurance Plan?

Options: Affordable Care Act (ACA), Christian Based (many different), etc.

This is the most frequent question/concern that I get asked - What about Medical Insurance?

Very important to understand:

Medical Insurance is really 'emergency' insurance = high deductible plans are now the most common and low deductible plans (HMO's) that are almost gone.

My Key decision makers:

1. Primary Care and Specialists within my preferred local Hospital structure (local example Bon Secours)
2. Cost for Premium and Max 'out of pocket' for individual and family
3. What is covered? Blood tests? Alternative Care? Supplements? Chiropractors? Etc.
4. Preventative Care? Yearly? Colonoscopy? Immunizations?
5. Dental?
6. Incentive Plan for Healthy Individual?
7. Pre-existing Condition Rate?

This is my list and yours will likely be different so do your research.

Summary Table: (From ~10/2017 research)

Name	Deductible	Program Cost	Total Pay w \$5K Expenses	Total Pay w \$10K Exp	
ACA	Bronze-top	\$12.4K	\$1.6K	\$6.6K	\$11.6K
ACA	Silver-mid	\$1.3K	\$7.9K	\$9.2K	\$9.2K
ACA	Gold-top	\$0.2K	\$9.7K	\$9.9K	\$9.9K
Medi-share	\$5K	\$5.0K	\$5.1K	\$10.1K	\$10.1K
Medi-share	\$7.5K	\$7.5K	\$4.4K	\$9.3K	\$11.3K
Liberty	\$125K/incid	\$1.5K	\$6.0K	\$7.5K	\$7.5K
Liberty	\$1M/incid	\$1.5K	\$6.3K	\$7.8K	\$7.8K

References for Medical Insurance:

1. RadicalPersonalFinance.com - episodes 393,395,397,403, 404,405 - He investigates all Christian based options.
2. I have more in-depth spreadsheet: Medical_Final_ACA_2018_121117.xlsx, contact me if you want it.
3. RootofGood.com - posts for optimal income for best ACA coverage. Bottom line: <250% of Poverty.
4. Mychristianhealthcare.org is Medi-share
5. Healthcare.gov is Affordable Care Act (ACA) - note you must have income <400% of Poverty, this is ~\$80K for family in 2017.
6. AffordAnything.com search her site for podcast/blog on 'insurance'. Quote: Never pay insurance for something you can cover yourself.

Oh, this is a lot of data! Yes, it took me weeks of research in 2017 and it changed my mindset.

My final selection: ACA Bronze near the lowest plan ~\$92/month for 2017 & again for 2018.

Why? I finally realized that Medical Insurance is only catastrophic insurance and it is better that you might pay more (deductible) vs. you must pay more (program cost).

Had Drs I wanted.

The most cost effective (we have spent ~\$5K to \$8K for the last two years with the big company high deductible plan and being very sick)

10) What do I do with my CASH or money I might need in the next six (6) months

Options: To put your dollars and earn small yield for a short time - Local Bank, online Bank, CD, US treasuries, Money Markets, Bank alternatives, etc.

Option	APY%	FDIC	LIQUIDITY	FEES	NOTES	Min to INVEST
Cash	0%	No	Yes	NO	under mattress	N/A
Local Bank	0.05%	Yes	Yes	NO at min	read fine print	\$5
Online Banks						
CiT	2.15%	Yes	Yes	NO at min	read fine print	\$100
Simple	1.9%					
AMEX	1.9%					
Money Market						
FID - SPAXX	1.19%	No	Yes	NO at min	read fine print	\$0
FID - FTEXX	0.9%					
FID - FMPXX	1.74%					>\$1M
ALLY	0.9%,1.0%					\$0,>\$25K
CD						
FID -3M	2.1%	Yes	No for Term	NO at min	read fine print	\$100
FID -6M	2.3%					
FID - 1YR	2.55%					
ALLY-1YR	2.5%					
US Treasury						
FID - 3M	2.28%	No	No for Term	NO	read fine print	\$3000
FID - 6M	2.43%					
FID - 1YR	2.69%					

References and Notes: (FID = Fidelity), (Liquidity = you can put dollars to use tomorrow)

1. All of these are below historical inflation rate of ~2.7% average and you will lose money if your dollars are there too long.

2. I am going to hold off on covering Bonds right now. I have comparison table of top bond funds, contact me if you are curious.
3. For CD and US Treasury research (see all FID). Fidelity.com > Research > Fixed Income, CD, Bond > Yield tab
4. For Bank rates: accounts.bestrates.com, turbinecu.com,
5. All yields are Annual Percentage Yield (APY)
6. Yield will continue to go up as interest rates increase. Recently I have seen adds for 13 month CD's at 3.0%.

11) NEXT STEPS for those who are curious:

- **'The 4% Rule' is based on the Trinity Study**, now done a few times.

https://en.wikipedia.org/wiki/Trinity_study

- **To refine 'The 4% Rule' for how much you need** some good tools that might allow you to do some trade studies:

1. Safe Withdrawal Rates by the MadFientist. His 'lab' and current safe withdrawal rate.
2. Fidelity - by far most complex, meaning you have to type in a serious amount of information.

If you have an account with Fidelity and bring your stuff they will type it in.
3. Simple MS excel spreadsheet - contact me.
4. Tyson's blog.ontrajectory.com retirement calculator simple yet fast tool, 2 week free trial and \$5/month or \$50/year after that.

A great middle ground for those you might want to see the impact of buying a new car has on their specific situation.

- Table on retiring early

Savings Rate	Years to Financial Independence
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10%	~38
20%	~29
30%	~23
40%	~18
50%	~14
60%	~11
70%	~8
80%	~5

- Detailed Table to 5, 10, 16 year Performance to help you with RISK / RETURN

Note: if you put all \$ in VTSAX and ride out the ups and downs, you NEVER have to re-balance your portfolio.

Some fun let's take three people and compare their RISK and RETURN.

Data is from Yahoo - Finance.

1st some facts:

VTSAX in 2008 return = ~ -36%, Avg gain last 10 years = 7.7%.

VWIAX in 2008 return = ~ -10%, Avg gain last 10 years = 6.9%.

Now with the fun - Three people:

'Market Martha' puts all her money in VTSAX.

'Conservative Kim' puts all his/her money in VWIAX.

'Wealthy? Winston' and his motto, 'I will pay someone, this is beneath me!'

Results - Starting with \$100,000 in at the start of 2001.

Year	Market Martha	Conservative Kim	Wealthy? Winston	Comments
1	\$89 K	\$103 K	\$88 K	Kim is winning.
5	\$110 K	\$132 K	\$102 K	Kim is still winning Winston is ~ even.
10	\$128 K	\$180 K	\$110 K	Kim ahead \$52K, Winston ~\$1K/yr.
16	\$255 K	\$281 K	\$202 K	Kim +\$180K Martha +\$155K Winston + \$102K

Winston is \$79000 behind & bought a new car for his 'financial professional (FP)'.

Don't feel bad Winston if you had \$1MM portfolio you bought your FP a new car every other year.

- Vanguard and Fidelity

Per Trade Cost: \$7 Vanguard, \$5 Fidelity (now both zero!)

Research Tools: Fidelity has the best in business

Local Office: Fidelity only

Ability to buy VWIAX: only Vanguard

Trading Tools: Simplest Vanguard, More Advanced Fidelity (Active Trader Pro - I have not tried)

Free Advisement in person: Fidelity (your min amount, not sure here)

As I have said I have both, they both work very well.

Kiplinger's Online broker guide (sorry lots of adds).

<https://www.kiplinger.com/slideshow/investing/T023-S002-best-online-brokers-2017/index.html>

- Dollar Cost Averaging (DCA) vs. Lump Sum Investing

Putting your money in all at once 'Lump' sum vs. putting your money in the market periodically over time - 'DCA'.

Summary 'Lump' Sum beats DCA ~2/3 of the time.

<https://personal.vanguard.com/pdf/s315.pdf>

- If you would like to me more 'ACTIVE' in the market.

1. Read the book: Millionaire Teacher - The nine rules of wealth you should have learned in School by Andrew Hallam. 2nd Edition.

Teacher (read never had a high income)- debt free millionaire by late 30's.

If you need or want more diversification, investing in three instruments: VTSMX, VGTSX and VBISX, also called 'Couch Potato Portfolios'.

If you want to automatically to re-balance a portfolio similar to the above: VTWNX.

if you enjoy looking at portfolios of different compositions: www.portfoliovisualizer.com

Belief that due to currency of where you live it is better to carry a portion of your assets from the country that you live, Indexing 'Around the World' suggestions.

2. Read the book: 'The 3% Signal' by Jason Kelly.

This puts dollar cost averaging (DCA) on its ear, by targeting gains of 12%/year and taking decisive action quarterly.

3. Investing in stocks: This is harder to do in an email, but the best method I have found is to Newsletter invest. Mark Hulbert at www.Hulbertratings.com evaluates newsletters.

Mark Hulbert rated 200 newsletters each year for 20+years, contact me.

4. Allocation theory: You don't want to invest in individual stocks, but believe moving money in & out of the markets depending on Shiller's PE10 and/or the macro economy let me know. I am working on this method, contact me.

- Blogs, Podcasts and other fun - and some SPECIFIC episodes

1. Afford Anything by Paula Pant - FI at 30 years old through Real Estate (RE) income generation.

Great podcast and now course in RE investing from another state.

see episode 53 and do the math. It takes about **1/2** as much capital to have 'income' in real estate as it does in the stock market.

www.affordanything.com

2. The MadFientist by Brandon - A computer software designer FI at 32 years old with a Laboratory to help you with:

How much you need to hit FI, save withdrawal rate, travel hacking, etc

www.madfientist.com

3. Mr. Money Mustache - A look at a leaner lifestyle. What is your joy rating for each dollar that you spend?

www.mrmoneymustache.com

4. Justin at Root of Good - Retired at 33 in NC with wife and 3 young children. He will evaluate your financial plan for \$100. Yes, he was one of three checks I used prior to leaving the big paycheck.

search site for 'Roth Ladder'.

www.rootofgood.com

- And NO, I AM NOT a financial planner and I am not responsible for your financial well-being! You are responsible for all of your actions.

******* You are making your own decisions with your own money! *******

So, then what qualifies me? The school of hard knocks, reading and learning by doing with money for 25+ years.

Hopefully this is good enough to get you started. As always please let me know how to make it better.

Now please go and get some 'compounding done' with your hard-earned money!

Questions?

Thank you and Enjoy! John @ www.johnnysspeedlab.com

FI – A Checklist for you

- How much do I need in FI? My number=? 4% Rule of Saved/Invested to Spend or 25X Spend (see worksheet)
- How do I combine with other income? Subtract 'income' from 'spend' (see worksheet)
- What is my spending rate per year? Net paycheck X 26 (if paid every other week
(Credit card bill + bank withdrawal) X 12
- How long will this take? Savings rate 10% ~ 38 years, 40% = 18 years, 80% = 5 years
- What do I invest in? Risk? OK with 40%/ \$250,000 loss = VTSAX/VTSMX/VTI/FZROX
OK with 10%/ \$62,500 loss = VWIAX/VWINX
(basis is \$25K/year spend and \$625K total saved/invested)
- Market went down in 2008, You? Pulled your money, then you need a financial advisor
I ignored my statement and left the money in the market
- What if I need MORE? Contact John → 1 864 238 9775



FI – MORE

- 1 Investing – Allocation vs. Market Macro Economic trends – Two Methods, Buckets = Comfort?
- 2 Transitioning to Financial Independence (FI) – Your Money and Your Mind
- 3 What do I do about Healthcare before Medicare/Medicaid in FI?
- 4 Investing – I need to do more Dollar Cost Averaging & The 3% Signal, I feel I need to do something!
- 5 Budgeting – I need a detailed process and what changes over time? See also Dave Ramsey, Susie Orman &
- 6 Do I need to pay-off my house in retirement?
- 7 Where should I put my money? Vanguard vs. Fidelity vs. ? Egg Basket(s)?
- 8 Where do I invest first? Roth IRA, Traditional IRA, Company 401K, HSA, etc
- 9 Investing – Using Stock Investing Newsletters, How do I find the best?
- 10 What about saving for college? How does this fit?
- 11 Automatic? How do I get this on autopilot?
- 12 Diversification – Risk, Time, Reward Case Studies
- 13 I'm at FI now, the majority of my money is in 401K/IRA, what do I do? Tax Efficiency
- 14 Rules based investing – not reacting with emotion
- 15 This is a long time, how do I stay on course? What are some basic rules I can follow?
- 16 Fill in: _____

If you would like a another course or individual help please list this in your evaluation

