Money Matters

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Dr. Shetlin

Your Health Coach

Wealth Building Principles

Home • Retirement Investments • Life Insurance

Friendly advice from Dr. Shetlin, 2008

Have you ever had the unfortunate opportunity of being *scammed* or *mislead* in your financial endeavors? I certainly have! Embarrassingly, it happened on more than one occasion. If I may share my lessons learned from the "school of hard knocks," I hope to save you from the same costly mistakes.

As a doctor it seems the public thinks we are made of money. People rarely calculate the 1) time sacrificed and strain on a family to study for 8 years, 2) the enormous student loan debt or 3) the high overhead involved in running a practice. Then there is 4) the expense of keeping current on health and medical advances to maintain a license…or as I strive to do, excel as a physician rather than just be mediocre.

With that said, I am quite protective of the money I do bring home, *as each of us should be*. When planning and saving for our future we all need to avoid "financial predators," which prey on our hard earned money and believe me, they are out there!

Not much different from Robert Kiyosaki, the author of "Rich Dad Poor Dad," I too had a rich dad and a poor dad from which to learn some life lessons. Though the story I am going to share starts while I was in college, the advice from my rich dad has always been:

1. "Owning a home is the first step toward building wealth."
2. "Protect your family and your assets."
3. "Let your money work for **you** not someone else."

Regrettably, I did not know how to apply some of these principles correctly in my earlier years.

While still in Chiropractic College and clearly naive in vital financial matters, a friend from school referred me to his insurance agent. The agent wanted to help me start saving for my future while protecting my family with life insurance.

We were renting with no plans of staying in Davenport, Iowa after college so purchasing a home was not a priority at that time; however, life insurance and saving for the future were.

LIFE INSURANCE WITH SAVINGS

The agent politely explained a whole-life policy and how it would serve both functions: protecting my wife and new baby with at least some income should something unfortunate happen to me. At the same time it would be building a "nest egg" for my retirement.

We signed up, made our payments, and we had our peace of mind. After graduation, we moved to St. George, Utah to buy a home and set up practice.

It was not until years later that I met, Jennifer, the wife of my office manager. She was studying to become an insurance agent and personal finance coach. She offered to do a free evaluation of my current insurance and financial situation. To my surprise I learned my insurance / investment was not the 'golden chariot' that had been originally explained.

UNMASKING THE POLICY

I was more than skeptical by what the agent-in-training, Jennifer, had explained to me about my own policy. She clearly explained and referenced

Dr. Shetlin's Primary Mission Statement – *"To educate, adjust and give quality care to as many families as possible instilling optimal health through natural and affordable chiropractic care."*

Dr. Shetlin's Second Mission Statement – *"To help families become debt free and financially independent."*

paragraphs within my whole-life policy I had naively agreed to with my signature. I called and confronted my agent from Iowa. Surprisingly, he agreed to the allegations Jennifer had made that:

1) For the first few years all the payments I had made went to the "costs of doing business" meaning his salary, filing fees, etc.

2) Though the stock market averages 12% or more, MY money (when finally applied toward an investment) would only yield 8% and should I ever want to access MY money there would be a 5% fee just like a loan from the bank!

3) I could not access my money or cancel my policy for the first 15 years without excessive fees and penalties!

Still skeptical to change companies I asked him to put my money and monthly payments into a better investment vehicle. He said he had just the thing, a "Variable Life Policy."

"Whew!" I though. Now we are getting somewhere. With the new change I felt comfortable again.

Jennifer warned me that having life insurance and retirement or savings joined together is always a bad idea. I did want to work with Jennifer but I was still hesitant to leave the company I had been with for years. I applied for a new life insurance policy with Jennifer's company, PRIMERICA and was surprised to see I could have more than twice the coverage for less than half the cost and then invest the difference. I also set up a ROTH IRA for my wife. Unfortunately, I was denied insurance at the time since we were moving overseas.

Shortly after this we moved to Portugal for two years.

Today we are back in the States and fully insured with TERM insurance and continue to invest in ROTH IRAs, Mutual Funds and have a Money Market account for emergencies as counseled by my current PRIMERICA financial guru, Gary Rohrbaugh.

In hind sight, the return on investment and the control I have of MY money is far better with separate products as recommended by PRIMERICA than it was with my whole-life and variable life policies.

I finally decided to cancel my variable-life policy and to transfer my funds to my Mutual Funds (I should have done it years ago).

Since I had only been paying into my whole-life and variable-life policy for 10 years and my contract stated I could not quit before 15 year there were *Penalties* and *fees*. It ended up costing me roughly 15% of the money I had invested. Overall I was quite displeased with the company that had sold me a whole-life policy during a point of my life that I was financially naive and vulnerable. I don't quite feel *scammed* but I definitely feel *mislead* by a so-called licensed professional.

The return on investment and the control I have of MY money is far better with separate products as recommended by PRIMERICA than it was with my whole-life and variable life policies.

I believe a superior business model is to "Offer outstanding service to your clients (patients) because **money is a byproduct of service.**"

I was not impressed with the business model that - "takes advantage of your clients, lock them in a contract they don't understand and reap financial rewards at the client's expense for years because by the time they figure it out it will be too late."

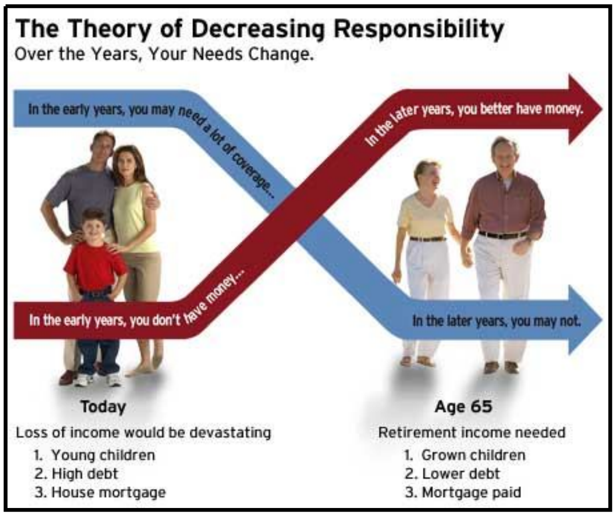
APPLYING RICH DAD'S ADVICE
PROTECTING YOUR FAMILY AND ASSETS

For a young family, even if you do not own your home yet, Life Insurance is a wise investment and it shows responsibility.

1. If you are a renter it shows banks when you are ready to buy your home that you are thinking ahead and are responsible.

2. The younger you start the cheaper it is.

TERM insurance is definitely the way to go for most families, young or old. You can get far more coverage for less monthly and overall expense which frees up funds to apply toward a house and retirement. With proper planning, none of us should need life insurance past 65 years old or the age we set to retire. Plus, the older we get the more expensive life insurance becomes. Hopefully, we have applied investment principles to be debt free by retirement. (Theory of decreasing responsibility)



That means our house is paid off and we have enough savings to live off the interest or an annuity fund. Life insurance is a safety net, not an investment vehicle and should never be combined with or sold as one. ~ Believe me; I learned that the hard way.

APPLYING RICH DAD'S ADVICE
OWNING YOUR HOME

"Owning your home (one within your means) is one of the best wealth building tools available." Or so we are taught. I would argue it is a great "credit" building tool but credit is related to debt. I recommend avoiding debt. A few reasons include:

1. Equity in your home gives you powerful financial leverage. (Be careful to use it wisely). Owning a home free and clear is always better than paying on a first and/or second mortgage.

2. Your home should increase in value over time. Depending on the market it could be 4% to 8% some years. If you are continually borrowing against it with interest it is not really making you money.

3. On-time mortgage payments seriously boost your credit scores. (Caution: just one reported late payment will cripple your credit scores).

4. Banks look at home owners different than renters. Your home gives you more banking leverage. (Again this is "credit" related. Avoid debt and borrowing against your home.)

5. Owning your home offers some personal peace of mind and security. But until you have paid for it in full, you don't really own it.

6. Try to **stay put.** Most Americans sell their home and move every 5 to 7 years starting their 30 year mortgage over. It is often a bigger, more expensive home and loan.

Banks, of course, use home mortgages more to their own favor than yours. Most loans are "Scheduled Interest," meaning the first 15 years you only pay 25% of a mortgage principle because the payments are 80 to 90% interest. Meaning over 30 years you end up paying sometimes TRIPLE the value for your home.[i]

Unless you can secure a really good DAILY UNPAID BALANCE LOAN you will be paying too much. With a DUPL you can make extra payments and have them truly apply toward the principle that day and then have the loan actually reamortize thereby reducing the interest you pay on your next payment. Only loans that reamortize with each payment would give you this benefit. For example: on a standard home loan with a $1000 monthly payment, $900 or more is going toward interest…in other words, working for the bank rather than you. This leaves only $100 applied toward principle. The same $1000 monthly payment with a DAILY UNPAID BALANCE LOAN can be split into bi-weekly payments of $500. This can change the equation so upwards of $350 each month is going toward principle. Same monthly expense from your pocket book but cutting 7 to 15 years off your mortgage loan and **saving you literally tens of thousands of dollars in interest!** This money saved can be applied toward your retirement.

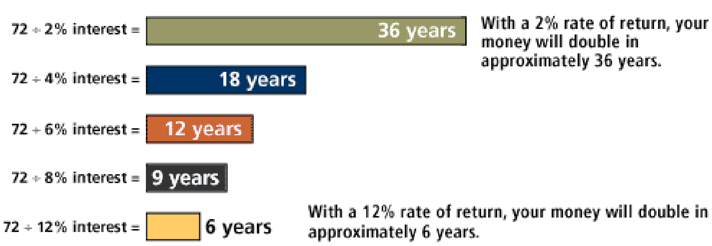
What is really powerful about a DAILY UNPAID BALANCE LOAN is if the day after your regular payment you send in and extra payment it is *all* applied to principle reducing large amounts of interest. With a Scheduled interest loan it is automatically applied to one of the last payments of the loan saving you next to no interest.

APPLYING RICH DAD'S ADVICE
YOUR MONEY WORKING FOR YOU!

This principle is simple on some accounts and quite complicated on others. For this reason it is sound advice to have a good financial coach, like I have Gary Rohrbaugh. Find someone you can REALLY trust, to coach you until you learn the basics for yourself. Time is working against you if you don't have the right coach from the beginning.

There are numerous ways to make and invest money. Clearly, some work better than others and some do not work at all thus costing you money.

Understanding the "Rule of 72," is a key principle for financial success. This should be taught in high school and tested on frequently before graduating.



You simply take 72 and divide it by the interest rate you are receiving on our investment and it tells you how long it will take for your money to double.

Remember, inflation is about 4.4%[ii] so anything below that and you are loosing money!

Let's look at an example: If you put $100 a month in an investment at 2% and left it alone, in 36 years you would have $63,192.13. (Remember, that sounds good now, but with inflation that won't be much).

Contrarily, if you put that same $100 per month in a 12% yielding vehicle such as a Mutual Fund or ROTH IRA and left it alone for the same 36 years you would have $725,924.86. WOW! Now that is having your money work for YOU!

With Loans or debt of any kind, (home loans, credit cards, car loan, line-of-credit) ranging from 6% to 29%, your money is working for someone other than you. Avoid debt whenever possible!

Combine and live by these three simple principles and you can build a debt free and financially independent personal empire for yourself and your posterity.

The aforementioned is information I have learned through personal experience and financial advisors. Now days, several "financial gurus like Radio celebrity Dave Ramsey teach the same things. I wish I knew this stuff 15 years ago. Unfortunately Dave and other celebrities can't tell you where to actually GET the products so you can apply these principles. I would be happy to introduce you to my financial team! They have all the tools you and your family need to accelerate your path to becoming debt free and financially independent.

SUMMARY:

"OWNING A HOME IS THE FIRST STEP TOWARD BUILDING WEALTH."

- Purchase a home you can afford.
- Keep it clean and in good repair to increase it's value.
- Secure a good home loan that helps you pay off your home within 15 to 25 years without burden.
- Utilize the equity in your home to minimize debt and accelerate paying off your mortgage early.
- Avoid second mortgages.

"PROTECT YOUR FAMILY AND YOUR ASSETS."

- Get quality affordable life insurance that will meet the surviving family member's needs without 'breaking the bank' while you are alive.
- Never combine Life insurance and savings.
- Buy TERM and invest the difference.

"LET YOUR MONEY WORK FOR YOU NOT SOMEONE ELSE."

- Always pay yourself first! If you are religious, Tithing (10%) first and yourself (10%+) second but pay yourself or your retirement before you pay bills. (I am not saying don't pay your bills, but prioritize them after your financial future)
- Understand the Rule of 72. Paying yourself first over time is what builds your wealth.
- Find a good investment vehicle (12% or better). The sooner you begin investing the better. **TIME is vital.**
    - A 15 year old can invest **only $25** per month in a 12% investment and retire at 65 with just over 1 million dollars. An individual at 40 year old needs to invest **$587.74** each month to retire with the same million at 65 years old.

[i] Look at the four boxes on your "Truth in Lending" statement.
[ii] As recorded per year over the past 30 years.