



## CHAPTER 1

# The Unvarnished Truth About Your Money

"I offer nothing more than simple facts, plain arguments, and common sense."

—Thomas Paine

Several years ago, some friends and I were vacationing in Key West and decided to do some deep-sea fishing.

We didn't have a boat, so we went to a local marina to see what we could charter. There were several boats available, so we began talking to various captains.

Most assured us that the fishing was excellent and encouraged us to hire them for the next day, before someone else booked them first. But since we were in no hurry, we took our time and kept wandering down the dock chatting with the crew of different charters.

Near the end of the dock, we saw an older captain leaning back comfortably in his captain's chair with a beer in one hand and a cigar in the other.

"How's the fishin' been lately?" I asked.

"The fishin's been great," he said. "But the catchin'," he added with a shake of his head, "the catchin' ain't been so good."

"Why not?" we asked, a little surprised given the positive spin we had gotten from the other boat captains.

He said the weather had been unseasonably cool. That had affected migration patterns. The big schools of fish hadn't shown up yet. "Nobody's been catchin' much lately," he said.

We looked at each other in disappointment.

"It's still great weather to go out," he added. "And the fish *might* show up," he said after a long puff on his cigar. "You never know."

The prospect of spending the afternoon on the water without catching anything more than a bout of sea sickness wasn't terribly appealing. So we huddled to talk about what we wanted to do. After a little discussion, we decided we were willing to risk going out. We also agreed we wanted to use the old boat captain.

Unlike the others, he hadn't blown any smoke up our skirts. He wasn't interested in talking us into a fishing trip. He didn't seem to particularly care whether we hired him or not. As a result, he did something nobody else did. He told us the truth. So we hired him.

We knew from the outset that we were running the risk of hiring a boat and sitting on the water all day without so much as a nibble. We could live with that. And, if we didn't catch anything, well, at least we went out with our eyes wide open.

The next day the weather was perfect. Despite his laid back attitude, the captain and his mate were good company and gave first-rate service. And the "catchin'?" It was the best fishing I'd ever experienced—then or since.

A few hours after he got us out to his "spot," the ocean suddenly filled with so many dolphin—mahi—that the water turned yellow.

After a couple hours, our arms were tired. We literally couldn't hoist any more in. When we returned to port, we were giving away fish to the crew, other anglers who had come back empty-handed, even strangers on the dock. Our coolers weren't big enough to hold them all. (And, in case you don't know, fresh Florida mahi is just about the best-tasting fish around.)

What does this story have to do with your investment portfolio? Not much, really. Except I'd like to do for you what that boat captain did for us that day. I want to tell you the unvarnished truth.

I'd like to help you meet your long-term investment goals. But I don't want to sell you a financial plan, charge you a commission or wrap fee, or manage your money. I don't want you to subscribe to a financial magazine or investment letter. I just want to give you the straight dope with no strings attached. Believe it or not, that's a rare thing in the world of investing.

## **LAY CLAIM TO WHAT'S YOURS**

Think about it. When was the last time you received investment advice from someone who was both qualified to give it and had nothing to sell? Not a mutual fund, a trading service, a financial plan, a software program, a brokerage account, an insurance policy, a newsletter subscription, or a managed account. Nothing.

You might think you at least get independent investment advice from the national media, but think again. Cable television parades endless pundits across the screen, all with ever-changing opinions about the economy and the markets, all to sell advertising—most of it investment-related. The financial press maintains a circus of activity as well. Headlines shout, “Retire Rich,” “Five Health Care Stocks to Buy Today,” “Is This Bull Market Over?” “Double Your Investment Income,” “The Shortcut to Seven Figures,” and so on.

The Gone Fishin' Portfolio is an antidote to all this noise and confusion. It is the distillation of much of what I've learned over more than two decades as a research analyst, investment advisor, portfolio manager, and financial writer. It is the key to financial freedom—if you have the discipline to see it through. To benefit from this investment system, you need only follow three simple steps:

1. Read this book carefully to get a thorough understanding of how this strategy works—and why.
2. Put your money to work, as I suggest in Chapter 8.
3. Take less than 20 minutes a year to keep this system on track, as I describe in the same chapter.

That's it. If you follow these three simple steps, you'll be on your way to meeting your long-term financial goals—and spending about as much time on your portfolio each year as you would eating lunch at “Five Guys Famous Burgers and Fries.”

Be forewarned that my objective here is not theoretical. I don't want you to simply read the book, nod your head, and say, “Good idea.” My goal is to encourage you to use it, to benefit from it. I want to set you on a path to a place where money and its management are no longer a problem in your life.

In essence, the Gone Fishin' Portfolio is about setting you free from concerns about your financial future. True, the future is always uncertain. But you'll enjoy the satisfaction and peace of mind that come from using an investment system that offers a very high probability of success. That's not just my opinion, by the way. It's also the opinion of the Nobel Prize Committee. (More on that in Chapter 7.) Hundreds of billions of dollars of institutional money are being run using systems very similar to the one I'm about to describe.

Incidentally, I've also set up a special Web site devoted to this investment system. It will allow you to track your progress and even reminds you of the simple steps you need to take once a year to keep your portfolio on track. (Feel free to visit it at [www.GoneFishinPortfolio.com](http://www.GoneFishinPortfolio.com).)

When you're done reading this book, there is only one commitment you'll need to make: personal responsibility for your own financial freedom. I can't overemphasize how important this is.

## **LEAVE NOTHING TO CHANCE**

Your employer and the federal government are not going to get the job done for you. Yet for more than two-thirds of elderly Americans, Social Security is their major source of income. (For a third of them, Social Security is their only income.) If you are retired or close to it, you can count on Social Security to help meet your financial needs. But it's tough to imagine living on it.

For young workers, the program is a demographic time bomb. Americans are living healthier and longer lives than ever before.

When the Social Security program was created in 1935, a 65-year-old American had an average life expectancy of 12.5 years. Today, it is 18 years . . . and rising rapidly.

In addition, according to the U.S. Bureau of the Census, 78 million baby boomers began retiring in 2008. In 30 years, there will be twice as many Americans eligible for Social Security as there are today. Meanwhile, the number of workers per beneficiary has dropped from 5.1 in 1960, to 3.3 in 2007, to a projected 2.1 in 2032.

Forget about this so-called trust fund. Current payroll taxes are being used to pay out current benefits, making Social Security look increasingly like a Ponzi scheme. Early investors get paid by new ones. Latecomers get left holding the bag.

I'm not an alarmist, but facts are facts. There are not going to be enough workers to maintain the current level of benefits indefinitely. The federal government's own Web site says, "The current Social Security system is unsustainable in the long run."

Sure, the nation's number-one entitlement program will survive in some form. But the solution to the problem is likely to come in the form of higher payroll taxes, an increase in the age for eligibility, and fewer benefits. Of course, even in the most optimistic scenario, most of us can only count on Social Security to cover a small portion of our retirement expenses.

Private pension plans are going the way of the passenger pigeon, too. According to the Employee Benefit Research Institute, the share of private-sector workers covered by a pension has fallen from 39% in 1980 to 18% today. Nationwide, pensions are underfunded by more than \$450 billion. Many corporations have raided their plans. Others have tried to chisel their way out of them. Some have simply waved the white flag and filed for bankruptcy.

Meanwhile, inflation—the thief that robs us all—is slowly but steadily driving up your cost of living. Your eroding purchasing power means you'll have to devote more of your budget in retirement to housing, utilities, insurance, health care costs, and other monthly expenses.

This may sound depressing. But by facing the music, you can start making the choices that will provide a comfortable retirement.

Unfortunately, polls show that over half of Americans believe it is the responsibility of the government or their employer to

take care of them in retirement. These folks are in for one rude awakening.

You may indeed get benefits from your employer or the federal government. But neither will provide you with a cushy retirement.

That's up to you. As the American writer Elbert Hubbard said, "Responsibility is the price of freedom."

When you take control and accept full responsibility for your own financial welfare, you let go of the idea that it is someone else's obligation to provide for you in retirement. You let go of the idea that your broker or financial planner will ensure your financial independence.

Ultimately, your financial welfare is up to you. You need to plan. You need to save. And you need to manage your money intelligently. Fortunately, these are just the topics I'm going to cover in the pages ahead.

### **REEL IT IN...**

1. The Gone Fishin' Portfolio is a powerful and effective, yet simple, investment system that can lead you to financial freedom.
2. You can enjoy a high probability of success using this investment approach, one that has garnered recognition from the Nobel Prize Committee and is being used—in similar fashion—by many of the world's biggest institutional investors.
3. The investing deck is fundamentally stacked against you. Brokers work for commissions. Planners want fees. And the national media seek advertisers and subscribers. Accordingly, the Gone Fishin' Portfolio is designed for investors seeking objectivity—the unvarnished truth—about their investments.
4. Don't depend on Uncle Sam for your retirement income. The federal government's own Web site says, "The current system is unsustainable in the long run."
5. Americans are living longer than ever. To live well in retirement, your portfolio needs to last as long as possible, too. And that's exactly the objective of the Gone Fishin' Portfolio.