



## CHAPTER 1

# The Unvarnished Truth About Your Money

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

Source: Common Sense, Thomas Paine

A while back, 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. But since we were in no hurry, we took our time and kept wandering down the dock chatting with the crews 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 seasickness 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 we were running the risk of paying to sit 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? Only this: I'd like to do for you what that boat captain did

for us that day. I want to tell you the unvarnished truth, with no promises and no agenda.

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 need you to subscribe to my investment letter or buy my other books. 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, an annuity 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—much of it investment-related. The financial press maintains a circus of activity as well. Headlines shout, “Retire Rich,” “Five Healthcare Stocks to Buy Today,” “Double Your Investment Income,” “The Shortcut to Seven Figures,” “Is This Bull Market Over?” 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 35 years as an investment analyst, 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 10.
- 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 McDonald's.

My objective here is not theoretical. I don't want you to simply read the book, nod your head and say, "Sounds good." My goal is to encourage you to use this system, to benefit from it. I want to set you on a path to a place where money and its management are no longer a concern in your life.

In essence, the Gone Fishin' Portfolio is about setting you free from concerns about your financial future. Don't get me wrong. The future, to a great extent, is always uncertain. But you'll enjoy the satisfaction and peace of mind that come from using an investment system that offers a high probability of success. That's not just my opinion, by the way. It's also the opinion of the Nobel Committee. (More on that in Chapter 9.) Trillions of dollars of institutional money are being run using systems similar to the one I'm about to describe.

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

When you're done reading this book, there is only one commitment you'll need to make: a promise to take 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 nothing more.

For young workers, the program is a demographic time bomb. Americans are living longer and healthier lives than ever before. According to the Social Security Administration, the additional life expectancy of a 65-year-old in 1949 was not quite 14 years. Today it is more than 20 years.

By 2035, the number of Americans 65 and older will increase from approximately 56 million today to over 78 million. Yet there are currently 2.8 workers for each Social Security beneficiary. By 2035, there will be only 2.3 workers for each beneficiary.

There is no so-called trust fund. Current payroll taxes are being used to pay out current benefits. Without serious reform—long overdue—our federal pension program looks increasingly like a Ponzi scheme.

(The government's own publications have stated, "The current Social Security system is unsustainable in the long run.")

Sure, the nation's No. 1 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 of eligibility, and/or fewer benefits. Of course, most of us can only count on Social Security to cover a portion of our retirement expenses.

Private pension plans are going extinct, too. According to the Employee Benefit Research Institute, the share of private-sector workers covered by a defined benefit pension has fallen from 39% in 1980 to less than 4% today. Nationwide, state pensions are underfunded by more than \$1.3 trillion. Many corporations have raided their own 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, healthcare 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 and the federal government. But neither is likely to provide you with a cushy retirement.

That's up to you. As libertarians have insisted for years, responsibility is the price of freedom.

When you take control and accept full accountability 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. These are just the topics I'll cover in the pages ahead.

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

1. The Gone Fishin' Portfolio is a powerful and effective yet simple investment system to achieve financial freedom.
2. You can enjoy a high probability of success using this investment approach, one that has garnered recognition from the Nobel 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 and financial advisors work for fees. The national media is dependent on advertisers. Accordingly, the Gone Fishin' Portfolio is designed for skeptical investors seeking objectivity—the unvarnished truth—about their investments.
4. Don't depend on Uncle Sam for all your retirement income. The federal government has said that the current Social Security system is unsustainable in the long run.
5. Americans are living longer than ever. To live well in retirement, you need your portfolio to last as long as possible, too. That's the objective of the Gone Fishin' Portfolio.